I SIDAY OCTORES;

FINANCIALTIMES

Vranitzky wins British Steel mandate to form Austrian of Spain's government

World News

President Kurt Waldheim of Anstria yesterday asked Chan-celler Franz Vranitzky to form a new government after his Socialist Party emerged the clear winners in Sunday's elections. Page 2

Philippine clash

Government troops and com-munist rebels clashed in cen-tral Philippines and the southern tip of Luzon Island killing at least 29 people, only a week after a failed coup attempt on Mindanao Island.

Recruit man fined Hisashi Shinto, one of Japan's most senior industrialists was sentenced to two years; and suspended for three years, and fined for taking bribes from the Recruit publishing group. Page 24

'Rhino gang' shot Paramilitary game wardens at the Hwange National Park in Zimbabwe killed all six members of a poaching gang from Zambia, believed to be stalking endangered black rhinos.

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A. H. Wille

Aborigines angered About 300 Australian Aborigines threw rocks and bottles at police and stormed into the grounds of the New South Wales parliament to protest against changes to lews gov-

erning land rights. China seeks EC link China said it hoped links with the European Community, suspended after troops crushed pro-democracy protests in Peking last year, would soon resume. Cantions economic package, Page 6

Waves last coastline

Waves caused by storms surged up the Bay of Bengal to the Bangladeshi coastline, killing at least 50 fishermen. Pakistan expulsions Pakistan expelled four Indian

diplomats for engaging in what it called undesirable activities", thought by diplomats to mean spying. Bhutto attacks president, Page 7

Warsaw pact members

launched their third attem in a month to share out their conventional weapons, a pre-requisite for the successful conclusion of a European arms

treaty. Page 3 N-treaty ratified Soviet parliament voted 347-0

to ratify two US-Soviet treatles from the 1970s placing limits on underground nuclear tests. Asian forest threat The forests of Asia are disap-

pearing twice as fast as previ-ously thought, causing flash floods and mudslides, a UN Rampage in Durban

A group of blacks stabbed nine whites when they went on a rampage down a busy street near the beachfront of Durban. Police later arrested seven men. Time to end sanctions,

Souter sworn in David H. Souter, who may hold the decisive vote in such con-

troversial cases as abortion and civil rights, was swurn in to the US Supreme Court. Kenya arrests exile Kenya arrested a leading government opponent, in exile ince 1986, after he allegedly

entered the country illegally

to launch a campaign of desta-bilisation. Malawi accused of human rights abuses, Bernstein to retire Leonard Bernstein, 72, the

American conductor, announced in New York that he was to retire from conducting and performing as a pianist for health reasons. eastern France, Page 3

Business Summary to buy 45% **Aristrain**

buy a 45 per cent stake in Aris-train, the Spanish steel sections producer under plans for a joint venture it was

amnounced.
The deal should put British
Steel's strategy for European
expansion back on course after
the collapse last month of a
complex deal with Banesto,
the Spanish bank, to buy 80
per cent of Aristrain. Page 25 MARKETS: European bourses

resumed their bearish course, investors encouraged to take profits by the rising oil price. In Frankfurt, the DAX index lost 32.12 to 1,433.41, while the PAZ index, calculated at mid-session, was 3.79 lower at 618.37. In Tokyo, the Nikkei closed above the important 28,000 level at 23,495.11, down 134.89. Back Page, Section II

SUPREME Soviet in Moscow gave a first reading to laws creating a semi-independent central bank and laying foun-dations for a commercial bank-ing system. Page 24 LONDON's International Stock Exchange unveiled a new real-

time stock market index of continental European stocks, signalling an intention to strengthen its grip on cross-border share dealing. Page 25, Lex, Page 24

JAPAN's property market looks in poor health following a leading indicator fall last month for the third month in a row. Page 6

NORSK Forsvarsteknologi (NFT), Norwegian defence contracting company, secured a NKrL6bn (\$270m) contract to supply the US Navy with 200 Penguin anti-ship missiles. Page 3

SCA. Swedish forestry group that recently acquired Reed-pack in the UK, reported a 4 per cent fall in profits after financial items to SKr1.7bn (\$300m) for the first eight months of 1990. Page 25

ACCOR, world's largest hotel group in terms of number of rooms under management, reported a 50 per cent rise in first-half net profits and fore-cast a 30 per cent growth in

MOTOROLA, US electronics and semiconductor manufacturer, saw its shares plunge by over 12 per cent on news of lower than expected third

quarter earnings. Page 26 THAILAND's cabinet approved a \$6bn deal for a Thai-British joint venture to add 8m num-

bers to the country's telephone network Page 4 -BRAZIL reopens the first talks

with creditor banks in New York today since it suspended payments on its foreign debt in June 1989. Page 9 CHINA's hardline leadership

outlined cautious new economic plans for the next five years, Page 6 CANADA's leading securities

firms imposed stringent auster-ity measures, ranging from lay-offs to cancellation of a shareholders' dinner, in response to a deterioration in business conditions. Page 26

UAL, parent company of United Airlines, rejected a new bid for the US carrier from the employee led buy-out team. Page 26

AUSTRALIAN government announced plans to improve co-operation between local and overseas regulatory authorities as part of a clamp-down on corporate crime. Page 32 DOW JONES, publisher of the

share. Page 26 FIBRE manufacturers in Europe are planning to protest against the construction of a new polyester fibre plant in the Lorraine region of north-

In Baghdad, President Saddam Hussein of Iraq, in an effort to extract maximum propaganda advantage from the events in Jerusalem, warned that Israel was coming "closer to the abyse." He also threatened to strike at Israel with a powerful new missile in retaliation for the killings. He said the missile had a range of hundreds of kil-ometres and could be launched against "the targets of evil when the day of reckoning

The Iraqi leader's remarks, carried by Baghdad Radio which interrupted normal programming, coincided with an outpouring of international criticism of Israel and increasing preserves as a subject of the control of the ing pressure on a reluctant US to support a toughly worded UN Security Council resolu-

yesterday both by its allies and its enemies for the killing of 19

Arabs by security forces at a

demonstration in Jerusalem.

In Washington, President
George Bush issued a stern
rebuke to Israel over Monday's
killings: "We deplore it and it

must not happen," Mr Bush

demonstration in Jerusalem.

Mr Bush's comments underfined a further strain in rela-tions between the US and Israel, its traditional ally in the Middle East. He echoed wide-spread international condem-



uprising began in the occupied strongly resisting any such

the tribules three years ago.

The killings also led to renewed calls for a link between resolution of the Palestinian problem and ending the Iraqi annexation of Kuwait. The US and Israel have been

By Tony Walker in Cairo, Judy Maltz in Jerusalem and Michael Littlejohns in New York

linkage and again yesterday Mr Bush rejected the idea. However, he added: "Israeli security forces need to be bet-ter prepared, need to act with

deadly force."

The Soviet government for its part repeated its call for an international conference on the Middle East to deal with the Releast international problem. Palestinian problem. Ever since Iraq invaded Kuwait on August 2, Moscow has said Continued on Page 24

such a conference is essentia and observers believe Presi-dent Mikhail Gorbachav has conditioned his support for the US handling of the Gulf crisis on a conference eventually

being held.

Britain led a diplomatic damage control effort at the United Nations yesterday amid fears that the incident outside Jerusalem's Al-Aqsa mosque could result in a disruption in the Security Council's carefully nurtured cohesion in the Gulf

Of immediate concern was reported threat by the US to veto a proposal to send a three-member UN fact-finding team to Jerusalem with a request to report back to the council by

October 20.

Israeli Arabs took to the streets yesterday in the occupied territories but the Israeli army clamped a curfew on most of the West Bank and Gare Strip, in anticipation of

Gaza Strip in anticipation of widespread rioting. According to eyewitnesses, the West Bank and Gaza Strip were relatively quiet. Black flags were raised above roof-tops to mark the beginning of

two days of mourning. On the first day of a two-day strike declared by Israel's 700,000 Arabs, police used tear-gas on rioters in the Christian town of Nazareth and arrested several youths. Thousands par-ticipated in a funeral march in

Concern over Gulf, UK economy depresses market

By Rachel Johnson, Economics Staff, in London

RENEWED anxiety about the Gulf and the underlying prob-lens of the UK economy yes-terday punictured the emboria prompted by Britain's entry to the European Exchange Rate

Mechanism.

As fears of a Middle East conflict pushed oil prices to 10-year highs, the FT-SE 100 shape index dropped 67.5 to close at 2,134.1. This was a marked change of sentiment from the index's 134.7-point surge on Monday marging. Wall Street stocks also

Wall Street stocks also plunged on worries about oil prices and the US Congress failure to complete details of the budget process. The Dow Jones Industrial Index was down 78.22 points to 2,445.54, a drop of 8.1 per cent, according to early, unofficial figures. In Tokyo, Mr Robin Leigh-

Pemberton, governor of the Bank of England, underscored the psimul adjustment that the UK's corporate sector would have to undergo to become competitive within the ERM. The UK economy was clearly slowing down and inflation was set to fall "substantially".

But the economy would have to slow still further to conform

to the system's tight discipline.
He warned that a tight monetary policy was needed to
bring down UK inflation. Interest rates at 14 per cent were still "high and tough", while the ERM would help to tighten conditions by forcing the exchange rate to remain high. This would result in "possihy quite severe pressure on companies to control their costs". There would be no "creeping depreciation" of the

currency to help industry ride out its failure to do so. Sterling and government bonds fell yesterday, confirm-ing the brevity of the UK's honeymoon in the ERM and raking the possibility that the pound was overvalued in the system. Sterling's central rate-is DM2.95, around which it is allowed to fluctuate by plus or

minus 6 per cent. The currencies and bonds of the low-inflation countries within the European Monetary System were preferred to ster-ling, which lost almost two premigs against the D-Mark to close at DM3.0050. Dealing was reported to be "highly specula-tive" amid rumours that the Bank of England was in the market buying pounds to pre-Continued on Page 24 Observer, Page 22

Oil hits \$40 a barrel on threats of war

By Steven Butler in London

OIL PRICES surged above \$40 a barrel yesterday, minutes after President Saddam Hussein of Iraq said that Israel must leave "Arab lands" and warned that Iraq possessed long-range missiles.

The price rise followed a

jump on Monday when Israeli paramilitary police opened fire on Palestinian demonstrators in Jerusalem.
Traders and oil company

executives said the market had reacted strongly to the threat of war and that prices were not a reflection of current supply and demand conditions.

Mr Robert Horton, chairman of British Petroleum, said: "We recognise that there is no physical shortage, although there is dislocation."

The price rise completely reversed a decline last week following conciliatory state-

ments by world leaders that appeared to leave the door open to a peaceful settlement of the Gulf crisis.

Oil traders fear that a war in the Middle East could disrupt exports of Saudi Arabian oil. It

exports of Saudi Arabian oil. It would also lead to a sharp increase in the military denant for oil.

North Sea Brent crude oil for delivery within 15 days closed up \$1.65 at \$39.925 in European trading. At the New York Mer-centile Exchange, the Nowem-

cantile Exchange, the November futures contract for West Texas Intermediate crude oil was trading at \$40.34, up \$1.39 at midday. November futures contracts

for Brent crude oil on the International Petroleum Exchange rose above \$40 a bar-rel for the first time, before felling back slightly. Oil market wisdom, Page 35

Saddam threatens retaliatory missile strike Oil prices surge over \$40 to 10-year high | President Bush rebukes Israel over killings agrees plan to resolve US budget stalemate

By Peter Riddell, US Editor, in Washington

PRESIDENT George Bush yesterday reluctantly acquiesced to the Democratic Con-gressional leadership's new plan for resolving the US bud-get crisis. The Republican pres-ident also accepted there might have to be a trade-off between higher personal income tax rates and a cut in capital gains

Mr Bush had earlier lifted the threat of large-scale lay-offs of federal employees by signing emergency legislation keeping the US government going until

October 19. This ended a partial threeday government shutdown fol-lowing the rejection of the orig-inal budget plan by the House of Representatives last Friday. Democratic majorities in Congress pushed through the revised budget plan against the opposition of a majority of

Republicans, It modifies some of the unpo pular items of the original plan, such as the increased costs of Medicare health provision for the elderly, but leaves open how at least \$20bn of planned savings will be The Senate vote early yester-

day was 66 to 33 for the new

Mr Bush yesterday sought to maintain some leverage by insisting on token expenditure missing on taken expenditure savings in the stop-gap spending measure and by threatening that he would not sign further legislation keeping the government going after October 19 unless the final budget deal was satisfactory to him.
Congress will be keen to
resolve the issue by then in
order to concentrate on campaigning for the November 6
elections.

The president said the final package must achieve a cut in the deficit of \$500bn over five years "with real savings, with-out smoke and mirrors". It must also include "growth-ori-ented tax incentives" and reform of the budget process to ensure the agreement was fully The deal must also have

bipartisan support, Mr Bush

However, with his own Republicans sharply divided. Mr Bush has had to endorse the efforts of the Democratic leaders to produce a solution.
"We just have to work the process now and hope that the Congress will come up with a Continued on Page 24 Bush popularity fades, Page 9

Philips overhauls information systems unit and sheds 4,900 jobs

By Michael Skapinker and Alan Cane in London

PHILIPS of the Netherlands rantars of the Netherlands said yesterday that it was restructuring its unprofitable information systems business with the loss of 4,900 jobs, almost a third of the division's workforce. Philips said it would concen-

rhings sant it would concentrate on providing computer systems and services to sectors in which it was strong, such as banking, government departments, the insurance and travel industry. It would buy more of its products from other manufacturers and focus on personal computer-based personal computer-based

systems.

The group said it had abendoned attempts to form partnerships with other computer companies: Philips and Olivetti of Italy called off talks on co-operation last June. Philips said yesterday that it believed it should "first put its own house in order before pursuing alliances". Wall Street Journal, has reported a 41.4 per cent fall in third-quarter operating profits to \$23.8m or 24 cents a Most of the job cuts in the 15,000-strong information ser-

sales force and rely increasingly on dealers and distribu-

The redundancies in the information systems division follow the announcement lest month of 4,000 job cuts in Philips' electronic components

Mr Jan Timmer, Philips' president, has warned that the company faces a net loss of Fi 2bu (\$1.1bu) this year. When he took over the running of Philips last July, he said that 10,000 jobs would be lost in the 10,000 jobs would be lost in the drive to restore the group, Europe's largest electronics company, to profitability. A company spokesman said yesterday that while Philips might need to make further changes to its businesses, it did not envisage further large-scale job cuts in the immediate future. Philips said that because of the large number of job cuts in the large number of job cuts in the information systems divi-

sion, compulsory redundancies were inevitable. vices division will be made in In common with other com-Europe, and Germany will be particularly badly affected. The puter manufacturers, Philips said that it would provide its customers with products based group will reduce its direct

on open systems, which involve the use of standard microprocessor chips from semiconductor manufacturers like Intel or Motorola and an industry standard operating

system.

Such systems are significantly more powerful than traditional minicomputers of the kind that Philips has been marketing to date and cost considerably less. Personal computers, on

which Philips says it will focus, also represent the most vigorously growing sector of the market. Figures from IDC Europe, the market consul-tancy, show annual growth rates in Europe of less than four per cent between 1989 and 1994 for medium-sized and small machines, while personal computers are expected to grow annually at almost 12 per

Philips also intends to take advantage of its skill in optical technology to develop imagebased office systems and man-ory systems for personal com-puters based on compact opti-cal discs.

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Mastern Europe: Western banks told to act ... 2 | Limbering up to leap aboard Iram The long term effects of an earthquake ... 5 the privatisation bandwagon Japane Violent social unrest disturbs a land of

Technology: Electricity alternatives that are a renewed source of scepticism Editorial Comments Time to end sanctions; Europe's test in cars

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rates and the lessons of history 2.5 Gritein 16,72 Financia 26 Compenies 22.34 Gold Gold Intl. Cej Lebers 5-7 Consavord 44 Lex 28 Currencies & money 44 Lomber 4 Editorial Comment 22 Manage



Five years ago, any politician who talked about privatisation in Uruguay risked committing professional suicide. President Luis Alberto Lacalle (left) is a fervent convert, but he knows he must proceed cautiously.

-London Unit Trusts

GOLD \$396.00 (392,25) N SEA OIL (Argus) Brent 15-day Nov \$40,70 (38.225) ____ \$7-48 ____ \$7-46

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Tokye: Niideel **FOILDOIL MONEA** Liffs long gift ful Dec 84% (83%)

MARKETS STERLING

New York: \$1.9730 (1.9745) \$1:9705 (1.9740) DM3.005 (3.030) FFr10.06 (10.1425 SF12.5175 (2.5350) Y256.75 (256.0) £ Index 96.1 (96.5) New York: Comex Dec \$394.00 (399.3)

Chief price changes yesterday: Page 25

2,482.18 (-41.58) S&P Comp 308.21 (~5.27) 23,495.11 (-134.89) closing 133-12 (13%)

STOCK INDICES

2,134.1 (-67.5) FT Ordinary: 1,640.5 (-65.2)

FT-A All-Chare:

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1,027.82 (-2.9%) New York tunebilis

EUROPEAN NEWS

Yugoslavia is latest casualty of oil crisis

By Laura Sliber in

YUGOSLAVIA is the latest east European country struggling to cope with an oil crisis caused by the Gulf conflict and cuts by the Soviet Union, the

country's largest supplier. Mr Ante Vidic, secretary for the Yugoslav Oil Industry Association, said yesterday to buy crude oil on the world market at \$36-\$42 per barrel in an attempt to compensate for a shortfall in expected oil deliv-

ries from Iraq.
Yugoslavia's shortfall became acute after the Iraqi invasion of Kuwait in August, when the country received less than half of an agreed ship-ment of 3.5m tonnes of oil

ment of 3.5m tunnes of on from Iraq.

Far-reaching effects from the Gulf crisis have been compounded by cuts in oll production in the Soviet Union. Of the 1.2m townes of oil which the Soviet Union agreed to supply in July and August, only 430,000 townes was actually delivered, according to Taning, the Yugoslav news Tanjug, the Yugoslav news agency. The squeeze on the oil supply has forced three of Yugoslavia's seven refineries to halt production. The refineries neries have a total produ capacity of 80m tonnes and the Yngoslav authorities are hard ed to keep the remaining

pressed to keep the remaining four in operation. Yugoslavia is expected to roduce about 4.2m tonnes of adl, or just over 25 per cent of the country's total needs. It has tried to compensate for the shortfall by pursuing joint ventures with foreign compenies in oil exploration, but the results have been modest. The most significant deal so far most significant deal so far — between Angola and INA and Naftafas, two of Yugoslavia's yield only 80,000 tonnes of oil this year.

Yesterday, the official Hunrestrony, the official Hun-garian news agency, MTI, said that Hungary had used up all its crude oil stocks and was being forced to process sup-plies as they arrived daily from the Soviet Union. Hungary contracted to buy 6.48m townes of Soviet crude oil this year, but will get less than im townes.

Bankers told: don't wait for what you want to see in E Europe Western banks have been warned it is inconceivable that economic reform can succeed without them, writes John Lloyd

ALPH Land is one of a handful of British busihandful or produced for nessmen at the frontline in the campaign for greater western private sector investment in eastern Europe. When he talks about why, he points out that the region (including the Soviet Union) has about the same size

population and gross domestic product as Latin America. What is different is that there are about 18 times as many photocopiers per person in Latin America as there are in eastern Europe.

Mr Land is manager of Rank Xerox's east European division

and these sorts of figures point to a near infinite market for people like him. Mr Land was one speaker at the 90th annual conference last

week of the Society for Worldwide Interbank Financial Telecommunications (Swift), the banking community's interna-tional electronic messaging and payments system.

The conference was held in Berlin at the same time as the formal unification of the two Germanys. That helped provide the context within which

his international colleagues to become involved in the political and economic transformation of eastern

There was, he said, no choice if the democracies were to succeed: banks in the west had the responsibility to finance the lion's share of economic reform in the east - "or, to put it differently, it is simply inconceivable to implement reforms in the eastern economies for the benefit of their people without involving the international

banking community". The former East Germany, of course, sets the pace and will

set the standard: Mr Morgen's own bank had, in the first six months of this year, estab-lished 100 branches, most now on-line, with 50 more to come. But German capital is also the most active in Czechoslovakia, Poland and the Soviet Union.

ealth, and greater geographical and cul-tural affinity is a large part of the reason: but it is also not difficult to see in this the commercial reflexes of a business generation that rebuilt the former West Germany after the Second World War and has the imagination and the will to tackle the rebuilding of eastern Europe. For many western bankers and businessmen there is a tendency to wait and see, to let the region "settle down". Let the first entrants take the knocks, while the political air clears and at least a rudimentary commercial infrastructure is created.

However, Mr Land, in a straw poll among 15 executives of his acquaintance with interests in eastern Europe, found that 11 were making a profit and expanding, three were treading water and one was

Latin America's 292,000 copters compared with eastern Europe's 17,000 serves as a sort of "copier index" for Mr Land, valuable not just to his marketing with land as a lan ing pitch, but as a measure of the technical and commercial backwardness and size of the market: similar indices could be constructed for any number

Dr Janes Hervath, deputy managing director of Hunga-ry's Foreign Trade Bank, said that since banking had been considered merely a technique for passing money from the state to enterprises, no train-ing was given and no technol-

ogy was thought necessary, in By contrast, the former West German banks invest District a year in technology.

Mr Land has other figures.

They show a literacy rate in eastern Europe of 99 per cent, compared with Latin Amercompared with Latin America's 80 per cent, and a mann-facturing labour force of 70 per cent, compared with Latin America's 30 per cent. This paradox of deliberately under-developed countries with a high degree of education and culture means that as new technologies are introduced, they will be taken up with speed.



Austrian Chancellor Franz Vrantzky, left, leader of the Socialist Party, President Kurt Waldheim, centre, and Josef Riegler, leader of the People's Party, the junior coalition partner

Vranitzky to form government

Austria yesterday asked Chan-cellor Franz Vranitzky to form a new government after his Socialist Party emerged the winners in Sunday's elections, Reuter reports from Vienna. The Socialists and the con-servative People's Party, junior partners in the last coalition,

had earlier agreed to begin talks next week on forming a

talks next week on forming a new government.

Mr Josef Riegler, leader of the People's Party, said his party would insist on retaining the foreign minister's portfolio, currently held by Mr Alois Mock of the People's Party but once a Socialist preserve. The People's Party lost 17 seats for

PRESIDENT Kurt Waldheim of a total of 60 in the worst election result in its history.

Mr Riegler indicated that if
the coalition negotiations did not succeed, he would be pre-pared to talk to the extreme right-wing Freedom Party, which doubled its seats to 33 in

Mr Joerg Haider, leader of the Freedom Party, attracted votes on the strength of his appeal to nationalist sentiments, warnings of rising crime and tough line over immigrants from the east bloc. However, a coalition between the Freedom and People's parties would have a barely workable majority of only three seats, and most

political analysis believe that the People's Party has little choice but to stay with the Socialists, who gained one seat, with a total of \$1.

Mr Vranitzky indicated he might not be prepared to make too many concessions to his potential partners.

He was quoted yesterday as saying that "the election result cannot be adjusted by coalition talks".

market, and that although some countries, such as Portu-The People's Party leader said yesterday that he believed the coalition talks could be gal, have greatly improved their record, the position over-all remains unsatisfactory. concluded in two months. haly is still by far the worst offender, and despite the passage of its "La Pergola" law — He had earlier asked for and

Ministers to discuss Mediterranean initiative months by a working group at which the eastern Mediterranean will also be represented. But the main purpose of the encounter in Rome is to put the finishing touches to a "decletation of intent", setting out principles for collaboration on political, economic, environmental and cultural issues.

By John Wyles in Rome

PIVE North African foreign ministers will meet four of their European counterparts in Rome today to discuss launch-ing a new exercise in regional

collaboration.

The meeting owes much to Italian conviction that fresh approaches are needed, both to deepen dialogue and co-opera-tion between the northern and southern flanks of the Mediter-ranean and to encourage Medi-terranean and North African countries to mount a more determined attack on political and economic problems.

Italy and Spain, who will be accompanied on the European

By Lucy Kellaway in Brussels

MR MARTIN Bangemann, the European Commissioner for the single market, yesterday

urged member states to improve their sluggish perfor-mance in translating EC direc-

tives into their national laws. The latest commission fig-

ber states have failed to implement one-third of the

directives needed for the single

the Mediterranean. Modelled on its European equivalent, this would aim to provide a framework for resolving conflict in the Middle Rast. Several countries on the North African side at today's meeting — comprising Algeria, Tunisia, Libya, Morocco and Mauritania — have already

side by France and Portugal, are hoping the encounter will move forward their proposal for a permanent Conference on Security and Co-operation in the Meditorrowsen Modelled

which was meant to pass all the outstanding directives at one stroke — has only trans-

lated 48 directives into law,

The UK, which after Den-

mark has the best record on implementation, is pressing for new systems which would dis-

courage member states from agreeing directives they are

agreeing directives they are unable to implement. It has put forward a plan — to be discussed at the conference in December — whereby member states that have not implemented directives by the due date would be subjected to

large fines imposed by the European Court of Justice.

leaving 62 unimo

Brussels warns over putting

Italy and Spain hope it will be developed in coming

expressed interest in this pro

mental and cultural lastes.
This was discussed at two pre-paratory meetings between officials in March and June. As with the "Pentagonal" regional grouping which has been set up with Austria and three east European countries, the Italians insist that this Mediterranean initiative will

Volvo-Renault

not cut across existing European Community co-operation arrangements. The Italians point out that the North African countries involved already have bilateral contacts with one or more of the European participants. It seems that none of the Europeans at the talks have any reservations about Libyan

They want, among other things, to argue for a resolution of the Gulf crisis in line with UN resolutions and believe Libya may be able to

exercise a constructive influence on Irag.

deal referred directives on statute book to EC watchdog

THE link-up between Volvo, the Swedish car group, and Renault, the French state-owned motor group, is the first deal to be examined by the

EC's new merger vetting team,
Lucy Kellaway writes.
The two companies, which
formally completed their cross
shareholding agreement at the
end of last month, have sent the Commission its first merger notification form under the new merger regulation which came into force on Sep-

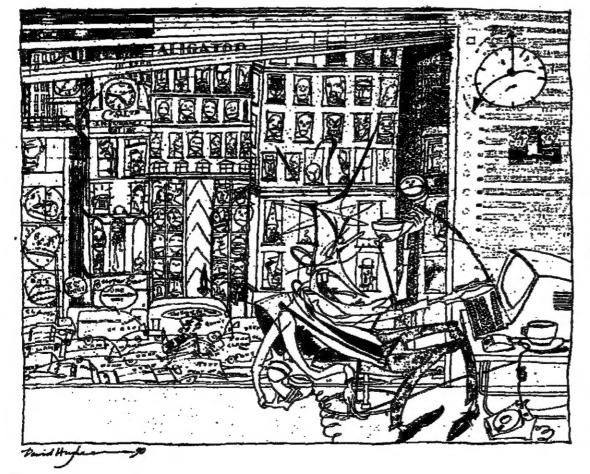
tember 21. Although the deal is not a full merger, the Commission also has power under the merger regulation to yet cer-tain joint ventures.

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"If it is good to have one foot in England, it is still better, or at least as good, to have the other out of it." HENNEY JAMES.





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THE HIGHLANDS AND ISLANDS

EUROPEAN NEWS

Norwegian group to supply 200 missiles to US

By Karen Fossii in Oslo

NORWAY'S Forsvarsteknologi (NFT), the defence contracting company, has secured a NKrl.6bn

(\$270m) contract to supply the US Navy with 290 Penguin anti-ship missles.

NFT was farmed in 1987 out of the defunct state-owned arms maker Kongsberg Vaapenfabrikk (KV) which suffered US frade senctions for fered US trade sanctions for collaborating with Japan's Toshiba in supplying Moscow with submarine control systems in violation of CoCom

rules.
The missiles will be delivered between 1982 and 1996 and the contract is seen as a break-through for NFT in the international market. It also opens doors for further increases in the export of this type of mis-sile to other potential custom-ers such as Spain, Greece and

Australia. The earlier KV started the Penguin missile programme over five years ago, but it was subsequently taken over by NFT when KV was wound down. In 1984, KV and the US signed a deal to integrate KV's Penguin Mark II Mod-7 with the Sikorsky SH60B Seahawk halicopter for the US Navy Lamps III programme.

In 1986 The Royal Norwegian Navy Material Command and the US Naval Air Systems Command (Navair) signed a The earlier KV started the

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Command (Navair) signed a second contract for the adaptation of the Penguin MK2 MOD-7 (AGM 119B) anti-ship missile to Sikorski SH-60B Seahawk helicopters in the US

Nawk neilcopters in the US
Navy's Lamps III programme.
The helicopters are to be stationed on board a number of
the US Navy's frigates. The
contract was worth NKr300m
to NFT's Guided Weapons Division. The adaptation and development programme is nearly

completed and the US Navy has carried out a technical evaluation and an operative evaluation of the Penguin for the Seahawk with successful

The helicopter has been nodified to facilitate the instalmodified to facilitate the instal-lation of the weapon pylon/ adaptor for the missile. Modifications were also made to the Seahawk's electronics system for integration with the Pen-guin missile.

The Penguin is mounted on the weapon pylon with an adaptor containing the necessary software and electronics for integrating the helicopter's radar, navigation and weapon control systems.

Control systems.

Last September (1989) the US
Navy signed a NKr50m contract with NFT for the start-up
of the first 64-series produced
Penguin MK2 MOD-7 missiles
for SEAHAWK helicopters.

The latest contract with the
US Navy was signed last Friday in the US on behalf of the
Royal Norwegian Navy, which
is the formal supplier to the US
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The production contracts builds further on the present development contract concluded in 1986 and is divided into a number of production options totalling slightly under 200 missiles.

In addition, there are a number of inspection systems and test equipment with a total economic scope of NKr1.6bn. The US Navy's acquisition programme is meant to ensure continuity of production of the Penguin anti-ship missile in Norway until the Royal Norwe-gian Navy requires new mis-siles for its fleet during the sec-

Multi-party system law passed

By Leyla Boulton

THE Soviet parliament yesterday adopted long-awaited legislation formally allowing a multi-party system. The new law was passed after deputies reached an awkward compromise on the key issue of disentangling the Communist Party from the armed forces and the police. While one camp of deputies favoured total "depoliticisation" – hanning party cells from the army and police – the opposing camp, including numerous Communists from the services, fought tooth and THE Soviet parliament

numerous Communists from the services, fought tooth and nail to retain them.

The result is a fudge which should permit the continued existence of party cells. The new legislation says simply that servicemen and law enforcement officers "shall be guided in their official activities by the requirements of law and will not be bound by the decisions of parties" they happen to belong to.

happen to belong to.
The Communists in theory paved the way for pluralism at the start of the year, when giv-ing up a "leading role" as enshrined in the constitution. But it has in practice retained but it has in practice retained control over central and much of local government, as well as enjoying intimate links with the KGB and the armed forces.

Yeltsin gets his Mercedes

IT'S official: Mr Boris Yeltsin, the populist Russian president who shuns official privileges, will swap his humble Soviet Volga for an armour-plated Mercedes, provided by the

The 60-year-old politician, who was recently involved in a car crash which some of his supporters saw as an assassination attempt, will become the first Soviet politician to use a foreign car for public

Top Soviet leaders are usually driven around in Zils -black stretch-limousines made in the USSR - while many lower-level politicians use Volgas, plain Soviet saloon Mr Yeltsin, elected chairman

of the Russian parliament in June, originally opted for the simplest model available to him in keeping with his much-publicised criticism of privi-He also announced he was doing away with KGB body-guards as part of his campaign to cut back the powers of the

mighty security agency.

However, an official at the Russian parliament said that voters from across the country had sent in countless tele-grams demanding tighter secu-rity for the president since last month's accident. The official said the KGB

would provide the Russian leader with three Mercedes 500s and a fourth car whose in the past to be thevictim of



Yeltsin: will swap his humble Volga for armour-plated luxury

Communist Party dirty tricks.

The rebellious Russian parliament yesterday formally voted to go ahead with the 500-day programme of transition to

make he could not specify.

He added that Mr Yeltsin had also accepted an offer of 24 armed bodyguards — but he was not sure whether the offer was from the KGB or the Inte-

a market economy on November I — whatever the rest of the Soviet Union may decide, Quentin Feel reports from Moscow. Mr Yeltsin, who is still con-valescing at home, has claimed

Row over subsidised French fibre plant

By George Graham in Paris

FOUR European fibre manufacturers are planning to mount a joint protest against the construction of a new poly-ester fibre plant in the Lor-raine region of north-eastern

France. The \$160m (£81.2m) plant, which will produce polyester yarns for reinforcing car tyres, is to be built by Allied Signal, the US engineering and automotive components group, at Longwy, the former steel town.

Lorraine is a major tyre-making region, with Michelin, Kleber and Continental plants. But Hoechst of West Ger-many, Akzo of the Nether-lands, ICI of the UK and Snia of Italy are planning to launch a campaign against the level of subsidy provided for the plant by the French government and the Lorraine regional adminis-tration. Allied Signal says the subsidy amounts to around 20 per cent of the total cost. The four argue that although these subsidies have been

approved by the European Commission - Lorraine, which suffered heavily from job cuts in the steel industry, qualifies as a region requiring special aid — they will severely distort competition and put thousands of jobs in

nearby factories at risk.
Allied Signal, which plans to break ground on the Longwy

site in December or January and have the plant ready for operation early in 1993, says it will employ around 300 people on the site, but will not give production capacity figures for the plant.

Company officials said they preferred not to comment on the complaints of their competitors until they had seen the

details of the charges.

The row is reminiscent of the dispute which arose earlier this year over the offer of sub-sidies to Guardian Glass, the US-owned flat glass company, for the installation of a float glass plant near Nimes in southern France. Saint Gobain, France's own leading glass producer, argued that Guardian should not receive any higher subsidy than the FFr32m (£3.1m) it received itself for a FFr500m-FFr600m plant opened up last year in southern

However, government offi-cials in Paris and Metz yesterday dismissed the complaints about the subsidies being provided for the Allied Signal

They pointed out that Longwy, as a former steel town with high unemployment, is development premium awarded for job-creating pro-

Warsaw Pact discusses share-out of weapons

WARSAW PACT members yesterday launched their third attempt in a month to share out their conventional weap-ons, a prerequisite for the suc-cessful conclusion of a Euro-pean arms treaty next month, agencies report from Prague.

Deputy foreign ministers and military chiefs of staff of the crumbling, Soviet-led alliques started a two-day meeting where the main stumbling block was expected to be tank

quotas. Under proposals at disarmament negotiations in Vienna. Nato and the Warsaw Pact would each have 20,000 tanks stationed in Europe.

Two previous meetings, in

Two previous meetings, in Eratislava on September 10 and 11, and in Prague two weeks ago, failed to resolve how the Pact's share would be divided among its six members. Agreement has been reached on military aircraft and helicopters but outstanding issues apart from tanks. ing issues, apart from tanks, are the share-out of armoured vehicles and artillery.

The Soviet Union and its

agree over what percentage of the overall weapons allotment

each country may hold.

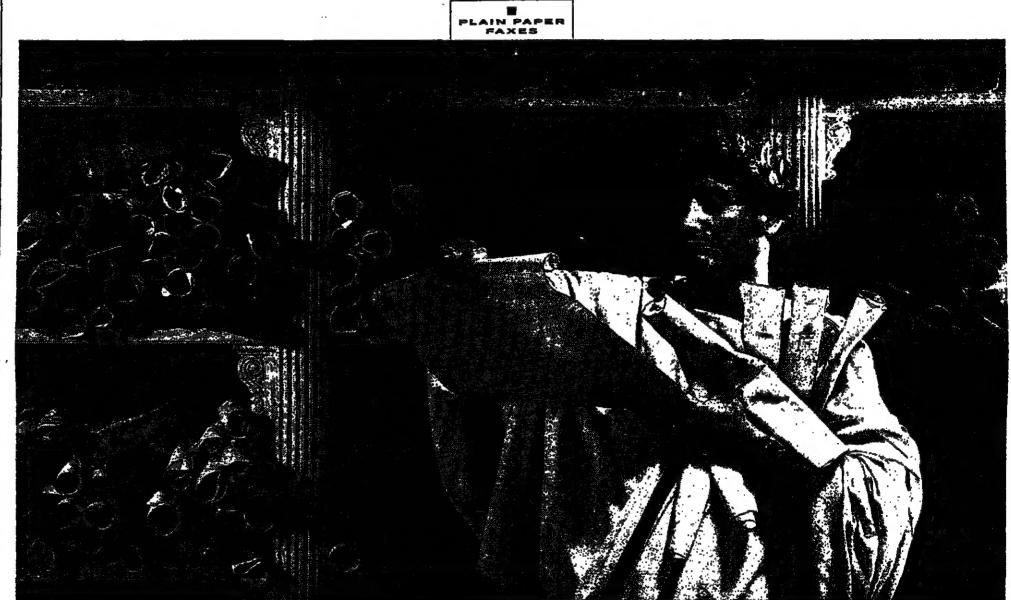
Moscow's proposal would allow it to control a vast majority for the eastern side. The other Warsaw Pact members, growing away from the Soviet Union as a result of last year's revolutions against commu-nism, want, a lower Soviet

The Czechoslovak state news agency CTK said demands for allotment of tanks exceeded the overall ceiling for the Warsaw Pact countries by 450.

Disagreement over the divi-

sion of weaponry between the Warsaw Pact states could, the-oretically, still stall the Vienns talks on cutting conventional weapons in Europe (CFE) and the signature of a European arms treaty planned for the summit of the 34-nation Conference on Security and Coop-eration in Europe (CSCE) in Paris on November 19.

Mr Jossef Antall, the Hun-garism prime minister, said the Warsaw Pact would hold a summit meeting in Budapest



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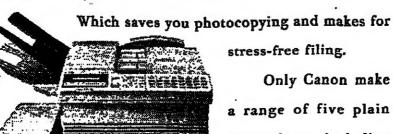
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NEWS IN BRIEF

Approval for Lufthansa's takeover of Berlin routes

LUFTHANSA, the former West German airline, has obtained approval from the cartel authorities for its takeover of Pan Am's coveted routes to Berlin, with the sacrifice of three take-off and landing slots in Frankfurt, according to a Lufthansa spokesman, writes Katharine Campbell in Frankfurt.

The authorities had in September voiced concern that the deal could reduce competition in the German skies. Aero Lloyd, the German charter and scheduled carrier, has been keen to obtain an entry into the Berlin service, hitherto blocked for German airlines by the four-powers agreement ruling the divided city.

It is understood that Aero Lloyd will be buying the three Frankfurt slots. Lufthansa, which will have 45 flights a day from various west German cities to Berlin in its winter timetable, faces a much tougher fight in its tussle against British Airways to take control of the former East German airline Interflug.

Envoys drop diplomatic guard More than 400 former East German diplomats, in an open letter, yesterday accused Mr Hans-Dietrich Genscher, the German foreign minister, of dropping a "political neutron bomb" on their old ministry to get rid of the staff, Reuter reports from Berlin.

The government says it does not want to employ diplomats from the east because they could prove security risks.

Gorbachev plans visit to West
President Mikhail Gorbachev will visit France later this month and Germany next month, his spokesman said yesterday, AP reports from Moscow. No precise dates were given.

Mr Gorbachev was invited to Paris for a visit concerning hilateral relations, while his invitation from Germany was to sign a German-Soviet friendship treaty.

Italian steel chief honoured

Mr Giovanni Gambardella, managing director of liva, the Italian state steel company, was yesterday awarded the 1990 European Achievement Award by ASM Europe, the regional branch of ASM International, the materials information society, writes John Wyles in Rome. Mr Gambardella was cited for "outstanding entrepreneurial leadership and management resulting in the renovation of the Italian national steel industry, a fundamental element of Italy's social and economic development".

Hungary arrests 488 foreigners

Hungarian police and border guards have rounded up 488 foreigners, mostly from eastern Europe, in a crackdown on crime, the authorities said, Reuter reports from Budapest, Crime rates have soared in Hungary during the past two years of reform.

FINANCIAL TIMES CONFERENCES

PRODUCT STRATEGIES FOR THE 90s 15 & 16 October - London

Strategies for product design, development and marketing will be the subject of a high-level forum to be arranged by the Financial Times in association with the Design Management Institute.

Manufacturing companies in Europe, North America and the Middle East are engaged in a product race of increasing intensity. Relentless international competition, soaring development costs and shorter product lives are stepping up the pressures all the way down the line, from research to final sales. This forum will bring together an international panel of top industry speakers from such companies as The Sony Corporation, Volvo, Braun and Rank Xerox to look at every aspect of the management of design and development, particularly the integration, marketing, design and manufacturing specialists.

A major feature of the programme will be case studies with speakers from Digital Equipment and Texas Instruments sharing their experiences of product development and strategy.

EUROPEAN BUSINESS FORUM - BUSINESS IN CENTRAL

Once every two years the Financial Times arranges a high level European Business Forum in Rome. Developments in the Soviet Union and in Central and Eastern Europe will be the principal theme for this year's agenda. The conference will interpret political and economic developments and will provide an autoritation briefing on the prespects for manufacturers, havings autoritative briefing on the prospects for manufacturers, bankers and other business leaders as the former East Bloc economies

Dr Guido Carli, Italian Treasury Minister has agreed, in principle, to give the keynote opening address on the political and economic scene in Europe over the next ten years and other contibutors include: Ambassador Renato Ruggiero, Italian Foreign Trade Minister, Professor Ivan Ivanov, Soviet State Foreign Economic Commission; Dr Václav Klaus, Minister of Finance, Czechoslovakia; Mr Ferenc Rabár, Hungarian Minister of Finance, Mr Viktor Gerashchenko, Gosbank; Professor K Lotkowski, Advisor to the Polish Finance Minister; Mr Horst Krenzler, Commission of the European Communities; Dr Franco Krenzier, Commission of the European Communities; Dr Franco Nobili, IRI; Dr Axel Lebahn, Deutsche Bank; Ing Paolo Cantarella, Fiat Auto; Dr Sergio Siglienti, Banca Comme Italiana and Sir Frank Cooper, N M Rothschild & Sons.

PETROCHEMICALS IN EUROPE - THE NEW SCENARIO 28 & 29 November - London

The Financial Times second Petrochemicals conference brings together a distinguished panel of top industry executives to debate the key issues of current concern. After seven years of strong growth, the international petrochemicals business enters the 1990s facing several pressures and a period of uncertainty and volatility. The conference will examine supply and demand, sustaining profitability, the challenges and opportunites in Eastern Europe and the impact of world oil prices on petrochemical operations. Mr Jim Gordon, Chemicals Co-ordinator of Shell International Chemical Company will deliver the opening address and speakers taking part includes Mr Bryan Sanderson, Chief Executive Officer, BP Chemicals; Sir Denys Henderson, Chairman of ICI; Mr Abdulaziz Ibrahim Al-Audah, President of Saudi Methanol Company; M. J Puechal, President of Atochan; Mr Simon de Bree, Member of the Board of Managing Directors, NV DSM and Dra Hugo Lever, Director General of CEFIC.

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WORLD TRADE NEWS

How to settle trade rows without tears

US and Canada provide a model for patching up differences, writes Bernard Simon

ada Free Trade Agree-ment has attracted more interest in the deal's twoyear life than its innovative provisions to settle cross-bor-

ton to explore whether the

MOTOROLA, the biggest US semiconductor maker, says it has reached "satisfactory set-tlement" of its long-running exporters and their govern-ments have funnelled a total of microprocessor patent dispute with Hitachi of Japan, Louise Kehoe reports from San Fran-cisco. The actions had threatened to disrupt supplies of Motorola microprocessor chips to US computer manufacturers. Details of the out-of-court

Hitachi and

Motorola

patent row

end chip

settlement were not disclosed, but Motorcia said both compa-nies will ask the US courts to dismiss suits they have brought against each other. Mr James Norling, Motorola

semiconductor products sector president, said Motorola was pleased with the settlement. Our unwavering goals were to protect Motorola's intellectual protect Motorola's intersectual property, and assure our customers an uninterrupted supply of Motorola's leadership microprocessors. This settlement achieves both goals."

At issue was Motorola's claim that Hitachi infringed

patented microprocessor tech-nology used in its 68030 chip, a component in Hewkey component in new-lett-Packard computer work-stations and Apple Computer personal computers as well as several smaller computer makers' products.

Motorola customers had urged an end to the dispute. Earlier, a Texas court ordered Motorola to halt output and sales of the chip. Motorola won a temporary reprieve from an appeals court, but the potential for serious business interrup-tion has threatened the industry for several months. itachi was also ordered to halt shipments of one of its semicouductor products. The impact of this was less severe, because it

is widely used in the US. The orders followed a Texas court ruling that both companies had infringed each other's patents. Motorola had sued Hitachi for patent infringement; Hitachi

Motorola results, Page 30

Whether the FTA's provisions can be transplanted successfully to trading relation-ships between other countries is another matter. Mr Elliot Feldman, a Washington trade lawyer, notes that "its success Canadian and American

15 cases to bi-national panels cial mutual trust between set up under the agreement to review decisions by trade tri-Canadians and Americans, and an understanding of their respective legal systems". bunals in the two countries. Equally noteworthy, trade experts from countries as known as Chapter 18 and Chapter 19 panels. diverse as Australia, Mexico, Japan and Israel have beaten a path to Ottawa and Washing-

FTA's mechanism can be applied to their own trading Quicker and less expensive than court proceedings, the system has allowed the US and Canada to settle some of their thorniest trade disputes with a minimum of political fallout. Although the panels are com-posed of citizens from both countries, several of their deci-

sions have been unanimous. The review mechanism may even have encouraged govern-ment agencies to be a little more thorough in their decision-making. The panels appear to have been less defer-ential than the courts to agendian export restrictions barred

cies such as the US Interna-tional Trade Commission. the Americans from fish caught in waters off British caught in waters off British Columbia.

dian objections to US conserva-tion rules on the size of imported lobsters. depends so much on the spe-

The agreement provides for two types of review procedure,

The Chapter 18 panels are a modified General Agreement on Tariffs and Trade system designed to adjudicate longrunning disputes which have inflamed public opinion. Unlike Gatt dispute settlement. procedures, however, the FTA process sets short, fixed periods for various stages, and con-tains automatic triggers to prevent either party from blocking

the process.
Only two disputes have so far been referred to Chapter 18 panels. One was a complaint by US fish processors that while their Canadian counterparts were allowed to buy large quantities of unprocessed Alas-kan salmon and herring, Cana-

The other dealt with Cana-

The west coast salmon and herring dispute had dragged on for three years before it was referred to an FTA panel. The panel submitted recommendations within three months, which formed the basis for a final negotiated settlement

It has allowed them to settle some of their thorniest trade disputes with a minimum of political fallout

between the two governments.
The lobster panel also came up with proposals (essentially vindicating the US position) which appear to have given impetus to an agreement between the industries in the two countries. The agreement is now awaiting approval by

the governments.
The Chapter 19 panels have a narrower focus. They act in place of domestic courts to

review whether specific anti-dumping and countervailing duty determinations are consistent with the law of the country where they were

made.
The five-member panels are chaired by a lawyer and drawn from rosters of 25 candidates drawn up by each government. The time limit from a request for a review to the panel's decision is 315 days. Decisions are

hinding.

In what appears to be an indication either of Canadian sensitivity or the vulnerability of decisions by the US Import Administration and International Trade Commission, all but one of the 13 Chapter 19 panels set up so far have involved Canadian complaints about US decisions. The single appeal against a Revenue Can-ada decision, involving alleged dumping of induction motors, was terminated by the participents before the process was

completed. The cases that have so far come before Chapter 19 panels have dealt with products as diverse as raspberries, chilled

pork and steel rails.

Mr Doug Waddell, directorgeneral for US trade policy in
the Canadian department of external affairs, says that despite Canada losing several

will involve a complete with-

drawal of government support within three years. However,

only 33 per cent of respondents

of the decisions, the Chapter 19 process "seems to be working very well".

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From a political point of view, the Canadians were espe-cially heartened by a panel's decision last month to refer back to the US Commerce Department three of its four rulings on the extent of subsi-dies granted to Canadian pork

Some problems have inevitably cropped up with the FTA dispute settlement process. Trade lawyers, for instance, have criticised some of the appointments to the panels.
Furthermore, except for the

two fish disputes, the two gov-ernments have hesitated to refer some of their most serious disagreements to a panel, preferring to rely on less formal negotiations. For instance, a 30-year row over whether Canadian plywood meets US building standards is still in the hands of a committee of experts trying to draw up mutually acceptable standards for the Canadian product. Mr Feldman says: "Consider-ation should be given to mak-

ing greater and earlier use of Chapter 18 panels, seeing them not as rescue operations after failure, but rather as expert bi-national efforts to settle incipi-ent disputes on their merits.

Fewer than half UK exporters back ECGD changes

By Peter Montagnon, World Trade Editor

FEWER THAN half Britain's exporters support the changes exporters support the changes planned by the government for the Export Credits Guarantee Department (ECGD), according to a survey carried out by Sedgwick James, the credit insurance brokers.

Ninety-two exporters were asked their opinions in the survey which covered proposals to privatise ECGD's short-term commercial risk insurance business and plans for higher premiums and curbs on cover availability for medium-term guarantpee

Only 44 per cent of the 55 respondents said they supported the changes, while 36 per cent said they were

opposed. A large majority of 71 per cent said they would review their business strategy if British export credit facili-ties ceased to be competitive with those of other countries. Nearly half said they would switch productive investment or procurement to other coun-

tries with better export credit arrangements and 41 per cent said they would cease to export to certain markets. The survey reveals particular scepticism about ECGD's medium-term credit guarantee business, where it is trying to

cut its risk of losses by increas-ing charges and reducing cover mits. ECGD's short-term commercial risk insurance business. This

respondents thought this would seriously affect their ability to win business in export markets, and 93 per cent said they thought a direct government scheme should continue to be provided in this

The government plans to persuade other countries to adopt a similar tough line in medium-term credit underwritmention create the war-ing received a resounding vote of no confidence, with 91 per cent of respondents describing its approach as unrealistic. The survey also showed a high degree of caution about the proposed privatisation of

thought the private sector could satisfy all their short-term credit insurance needs, while only 8 per cent thought other leading indus-trial countries would follow Britain's lead in withdrawing

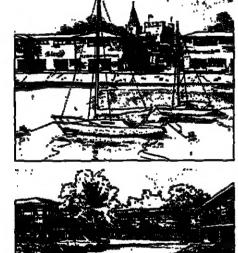
government support. A majority of 68 per cent said this would put them at a serious competitive disadvantage. Over half the respondents (51 per cent) said it would make no difference if ECGD's short-term insurence business were to be acquired by a for-eign company, though 36 per

cent said they would prefer the new owner to be British and 13 per cent wanted it to be Euro-

But there was a clear lack of But there was a clear lack of support for merging ECGD with Trade Indemnity, the pri-vate-sector credit insurance specialist that has been actively campaigning to take over the business. No less than 57 per cent said they were corrected to fine and only 41 per opposed to this and only 41 per

cent were in favour. The poll also revealed a high degree of support (60 per cent) for a centralised European Community export credit guarsaid they were against such an idea. antee scheme. Only 16 per cent

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Alcatel signs digital exchange pact with Poland

ALCATEL CIT has signed a joint venture to make digital exchanges with Teletra, the Polish telecoms supplier - the latest in the French group's co-operation deals in eastern Europe, William Dawkins reports from Paris.

reports from Paris.

The venture, Alcatel CIT Polska, will invest FFr250m (£24.6m) in a plant to make the latest generation of Alcatel E10 digital phone exchanges. Ultimate capacity will be 300,000 lines a year. The Prench company will hold 55 per cent of the capital, with the rest shared between Teletra (35 per cent), and two other Polish companies, Eliza and Elektrim.

The accord deepens Alcatel's

The accord deepens Akatal's links with Teletra, which already makes Akatel E10 digital exchanges under licence for Polish use and for export to Czechoslovakia. The licence will now be owned by the joint

In the past year, Alcatel formed contracts and joint ventures in Romania, Hungary, Yugoslavia, the former Rast Germany and the Soviet Union. Its east European turnover reached FFr552m in 1989.

Thais approve \$6bn phone network deal

By Peter Ungphakorn in Bandkok

THE Thai cabinet yesterday approved a controversial \$6bn (£3bn) deal for a Thai-British joint venture to add 3m num-bers to the country's telephone

network. The plan for Charcen Pok-phand (CP), one of Thailand's largest business groups, and British Telecom (BT) to build the system, transfer ownership to the state-owned Telephone

The deal came under fire again at yesterday's unusually lengthy cabinet meeting. The attacks came because, according to cabinet members,

it did not conform with any existing privatisation method, nor had it passed through the planning and selection procedures normally required for

to the state-owned Telephone
Organisation of Thalland, then
operate it had threatened to
wreck the fragile coalition gov-

Mr Montree Pongpanit, the Transport and Communications Minister, had acted improperly in approving the project without consulting the National Economic and Social Development Board or the Cab-

descended on the coalition following a war of words in which various leading members traded accusations of impropri-

ety.
The CP-BT consortium.

which has agreed to pay the Telephone Organisation 16 per cent of revenues from Bangkok and 22 per cent from the prov-inces, was selected over Toy-omenica of Japan.

Two weeks ago, when Mr Montree simply notified the row broke out, worsening squabbles that had previously focused partly on other pro-jects, including an elevated urban railway and new oil refi-

Final approval for oil refinery plans likely

By Paul Taylor, Asia Business Correspondent, in Bangkok

appears set finally to approve plans for two new oil refineries plans for two new oil refineries to meet soaring domestic demand. The move will end an embarrassing cabinet dispute over proposals by both Shell Oil and Caltex to build new facilities.

The powerful National Energy Policy Committee, which is headed by Mr Chatichal Choonhaven, the prime minister, is understood to have recommended an easing in

THAILAND'S government restrictions over the siting of new refineries.

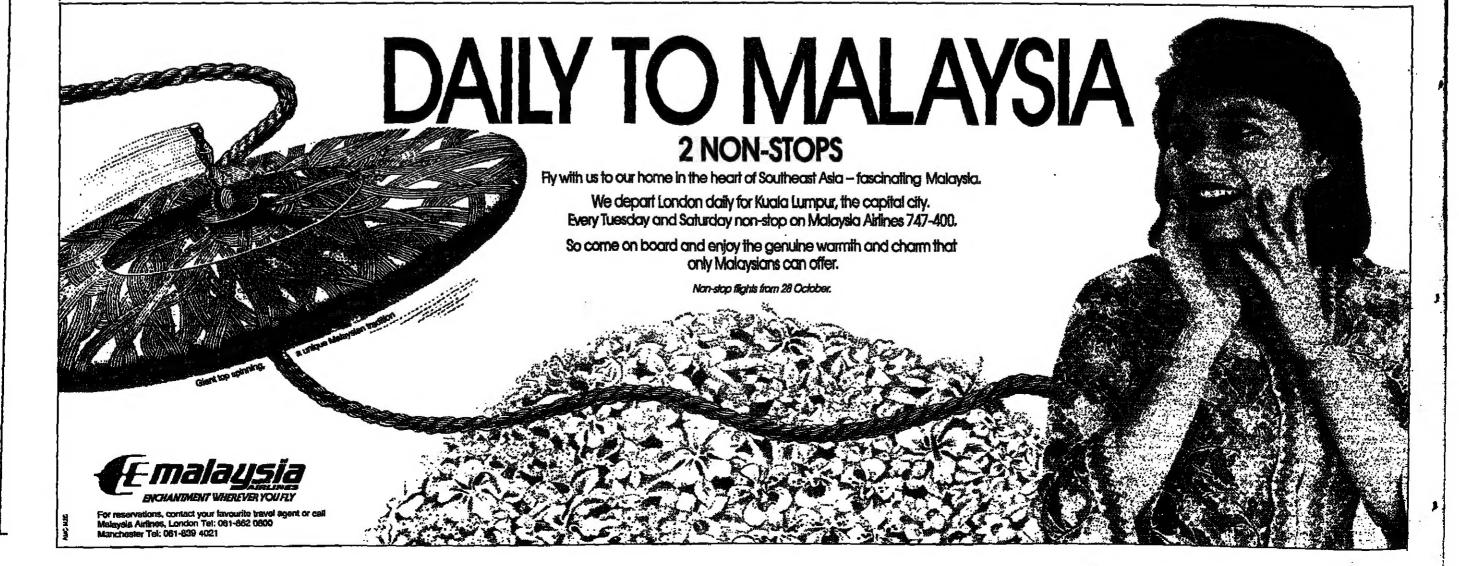
The decision should end a three-month delay in cabinet approval being obtained for Shell's wholly-owned That subsidiary to build and jointly operate Thailand's fourth refinery a Beht 18th (6980) and nery, a Baht 18bn (£380m) project with a 145,000-barrel a day (b/d) capacity, at Mab Ta Pnd on Thailand's eastern sea-

By proposing that oil compa-nies should have greater free-

The move will end an embarrassing cabinet row over proposals by Shell Oil and Caltex to build new facilities

dom in siting their facilities, the committee appears to have engineered a face-saving com-promise which will allow Shell's rival, the US-based Cal-

tex, to go sheed with plans for a fifth refinery with a 120,000b/ d capacity, also at Mab Ta Pud. Caltex had lobbied against its original contract which specified that its refinery should be sited in the less-com-mercially feversable south mercially favourable south. mercially invourable south. The compromise also appears to remove a possible source of friction for the That prime minister when he meets Mrs Margaret Thatcher, UK prime minister, during a visit to Britain next week.



INTERNATIONAL NEWS

Earthquake still takes its toll

Scheherazade Daneshkhu on why the relief programmes to rebuild Iran's devastated towns and villages are making slow progress

T is now over three months since a devastating earthquake hit the fertile areas of north western Iran, killing an estimated 85,000 peo-

TADAY OCTOR

killing an estimated 85,000 peo-ple and destroying or damag-ing 120,000 homes.

The effort needed to rebuild an area, which itself took well over 40 years to develop, is a huge and daunting one. But the government is undecided about whether it should rebuild towns and villages in an area where tremors are still felt almost daily or to relocate selt almost daily or to relocate in safer spots within the region. Consequently, little rebuilding has taken place to

Instead, the government has Instead, the government has concentrated on short-term relief for homeless families. The Iranian Red Crescent Organisation has set up some 5,000 prefabricated units, measuring about three metres by four metres in the two largest towns hit by the earthquake, Roudbar and Manill. Another 1,000 homes wooden houses, more resistant to tremors than mud-based houses, or even mud-based houses, or even steel and concrete, have also

steel and concrete, have also been built.

But these are a drop in the ocean. Tens of thousands of people are sheltering under small tents and are already beginning to feel the cold at night. Men and women who have lost everything now face a new danger — that of a fast-approaching winter which plunges temperatures below freezing point in the mountainous areas worst affected by the earthquake.

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ous areas worst affected by the earthquake.

Many people – it is impossible to estimate exact numbers – left the region in the first weeks for other towns, including the overcrowded capital. Tehran. There, the lucky moved in with relativing in others have been sheltering in others have been sheltering in school compounds. Now that the school year has started, however, it is unclear where

they will go.

Gilan province, where the earthquake struck, is mountainous with olive lined valleys leading down to rice-growing plains. The epicentre of the earthquake was not in the Caspian Sea as first reported, but at a windswent town celled. at a windswept town called Manjii now completely devas-tated and depopulated. Manjil, a trading centre which also housed military installations



and acted as the service centre for one of the largest of the country's 16 dams, is situated on the Sefid Rud river between for the source of Rasht and Gazvin.
Fortunately, the earthquake did not cause the dam to burst, but it has been damaged. A team of French engineers is

now in Iran to inspect it. The damage, which is feared to have struck at its foundations, may mean that the dam will have to be emptied a process which now appears to be tak-

ing place.
The agricultural significance of this measure will be felt in economic terms next year. The economic terms next year. The dam, irrigates the largest area of land in the country, some 240,000 hectares, which is over twice the size of the next largest area of irrigated land. If it is put out of action, the country's major rice-growing area will no longer be able to produce its crop.

Irrigated land accounts for some 80 per cent of Iran's arable food production and it was the intensive land cultivation

the intensive land cultivation in the area that attracted a in the area that attracted a steady flow of migrants from other parts of the country in the late 1980s and 70s to make this, a densely populated region. Rice is the staple food but poor agricultural performence, dating from the Shah's regime means that Iran spends up to one-third of its foreign exchange on food.

exchange on food.

Another economic blow has been the destruction of the hydro-electric power-generator served by the Sefid Rud dam. The plant, which generated 85 MW of electricity per day was knocked out of the national



Homeless children try pants on from a pile of clothes donated through Red Crescent at a tent camp near Rasht

grid the day of the earthquake.
Iran has suffered from a shortage of power since well before the revolution, hampering industrial productivity and resulting in twice daily power cuts in Tehran. Output is 8,160MW a year but needs to be at least 10,000MW and maybe as much as 15,000MW to cope with demand.

(\$2.90n at the official exchange rate of 70 rials to the dollar, \$250m at the government rate of 800 rials for essential imports). Reconstruction here is a quite separate project from the rebuilding of the wardev-astated regions of the south west.

The Iranian Red Crescent Organisation says that it has

THE Deputy Minister of the Construction Cru-sade said that 1,200km of rural roads had been re-

opened or reconstructed within a month of the earthquake. In the short-term, however, the decision on whether to rebuild this region needs to be taken soon for the sake of its inhabitants. One visitor to the area said the task is far greater than that of building afresh, since what remains has to be pulled down and the rubble cleared — both major operations — before building can start. For this, Iran needs earth-

clearing equipment and con-struction materials such as iron, steel and cement. Its foreign exchange earnings have increased significantly with the rise in the price of oil but the government puts the cost of reconstruction of the affected areas at 200bn rials

Organisation says that it has collected 20bn rials in dona-24.5m in cash from abroad. The foreign community has contributed a further \$27m in the

tributed a further \$87m in the form of goods, though some of these include medicines supplied after their sell-by date.

The largest contributors have been from the Middle East region itself with ironically, Kuwait, giving the most foreign assistance followed by the UAE, Saudi Arahia (with which Iran has no diplomatic relations) and Pakistan.

Of the major European countries, the Red Crescent says that West Germany has given the most and the UK, the least. The government is not altering its five-year plan to reallocate resources though it may ask the World Bank for a loan.

It is clear that foreign assis-

It is clear that foreign assistance, which is warmly wel-comed, will still play a crucial part towards the reconstruc-tion of the area.

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FINANCIAL TIMES

PRIVATISATION IN GREECE **INVITATION TO PARTICIPATE**

In accordance with the Greek Government's decision to transfer a number of State-controlled companies to the private sector, the Industrial Reconstruction Organisation (IRO) intends to soll its majority holdings in KAVALA PLASTICS S.A. MEL MACEDONIAN PAPERMILLS and MINION S.A. to interested investors. BANK OF AMERICA and ALPHA FINANCE A.E. have been exclusively mandated by the IRO to identify potential purchasors for the above-mentioned shareholdings

THE COMPANIES

L KAVALA PLASTICS S.A.

Established in 1973, the company is a producer and distributor of rigid and flexible PVC products (pipe fittings, compounds and polyethylene (PE) films. In 1989 total sales were US\$ 15 million and gross profits US\$ 2.7 million.

L MEL MACEDONIAN PAPERMILLS S.A.

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OUP

Fears grow of property price slump in Japan

By Stefan Wagstyl in Tokyo

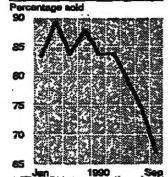
A LEADING indicator of the state of health of the Japa-nese property market fell last month for the third month in a row, increasing fears of a deepening slump in real

estate prices.

Of the new apartments on sale in Tokyo last month, only 67.1 per cent were sold, 11.9 percentage points less than in September 1989, according to the Real Estate Economic Institute. The ratio fluctuates seasonally, but is normally above 80 per cent in September, a peak month for home-

ber, a peak month for home-buying. The last time the fig-ure fell below 70 per cent was in September 1984. In Osaka, where the insti-tute has been gathering data for only a year, the sales/of-fers ratio also fell – to 64.3

Tokyo new fiat sales



per cent, down from 82.3 per cent in August. The lowest figure for Osaka was 54.1 per

cent in January 1989. Officials at the institute forecast further declines in the months ahead. This could foreshadow a long-lasting slow-down in the market for new flats, a key element in the residential housing mar-

Mr Tom Hill, property analyst at S.G. Warburg, the UK securities company, said sales would continue to fall for the rest of the year. Prices had to fall to lavels where people could afford to buy. He estimated prices of flats, as of land, had to fall about 20 per cent over the next two years. Flat prices had already declined 6-7 per cent from their peaks earlier this year,

There is mounting concern about the effect on heavilyborrowed property companies of a combination of falling prices and rising interest

Itoman, a publicly-quoted

Osaka trading company, this week denied that it is in difficulties servicing its Y1,300bn (25bn) of consolidated debt. (£5bn) of consolidated debt. Yesterday, the bankruptcy of Ikeda, a small privately-owned Tokyo property company, which owed just Y4.5bn was reported in Nihon Keizai Shimbun, Japan's leading business daily. The bankruptcy was in itself unexceptional – since a handful of property companies fails every month – but the prominence of the report indicates the growing concern in Tokyo that such bankruptcies will increase rapidly in future.

Bank lending to property

Bank lending to property companies has been tightly controlled since March this year, with banks obliged to keep the rate of increase in property loans to the same rate as the overall increase in lending. Mr Tatsuya Tamura, director of the credit and market management department of the Bank of Japan, said yesterday: "Banks are getting more cautious about the prop-erty market."

That is almost certainly an understatement. But the loans which banks are most worried about are not those made in the last six mo when signs of weakness in the market were already apparent, but those made at the market's height.

The companies most at risk are not the largest groups. With their large land holdings scquired years ago and steady stream of rental income, Mit-subishi Real Estate, and oth-ers have a large buffer both of assets and cash flow. It is companies which are heavilyborrowed and rely greatly on property sales not rents which are under the greatest

Violent social unrest disturbs a land of conformity

Robert Thomson reports from Osaka, scene of bloody protest by Japan's outcast day workers

ARLY yesterday, the day-la-bourer district of Osaka had returned to normal Grubby. shoeless men slept in doorways, using strips of cardboard as blankets, and a few drunks prodded the beer vending machines still standing after the violence of the past week.

Japan's economic miracle has not blessed the men of Nishinari district who led the bloody protests against police that became the most serious labour unrest the country has seen in

labour unrest the country has seen in two decades.

The local police station was attacked night after night, dozens of cars were set ablaze, and about 200 people were injured. News of the violence lured other fringe groups, the left and right wing radicals, and the young thugs known as motoboscooku, and even high school students, some wearing the high-collared tunic often seen as a symbol of Japanese conformity.

bol of Japanese comformity.
With the calm has come a return to the frustrating routine of the 30,000 day-labourers in the district, a routine matched in the Tokyo suburb of marched in the Tokyo suburb or Sanya, another down-end-out area not on the middle-class map. There are no blue suits or company badges on the lapel in Nishinari or Sanya. At around five each morning, Nishi-

At around five each morning, Niahi-nari's day-labour market opens in a concrete building resembling a large, unclean car park. There is a dried out fountain, a relic of a past attempt to beautify the area, and noodle stands for those who have money in pocket at the start of the working day. Hacking coughs and deep clearings of the throat connecte against the

of the throat compete against the shouts of a left-wing group urging the men to rise up against their oppressors. The job offers are plastered on the windscreens of vans and trucks that take the men, mostly in their 50s, to the small factories or construction of the that med their left.

sites that need their labour.

Japan's strong economy and a
national labour shortage means there



is plenty of work. According to the windscreen offers, a day's work clearing land will earn a men Y11,000 (£42) and a place on a production line Y11,500, while a few technical skills could bring in Y14,500 at a small machine tool factory.

But as they scan the windscreens each morning, the labourers are reminded of the power of the yakuza; or gangsters. Many of the job touts have the tightly curied hair, the painth perm', that is the trademark of a gang member.

A Catholic social worker explained that the police and the yakuza dominate the lives of the day labourers. The police tend not to mind the gang role in Nishinari because the average plenty of work. According to the

riots saide, the yakuza bring a certain social order to the otherwise disorderly fringe dwellers.

"In the morning, the labourer arrives at the job market and sees the arrives at the job market and sees the yakuza, who take commissions from companies to get labour. Then, after work, the men want some pleasure. They play mahlong or pachinko (Japanese pinhall) or drink in a bar, and all that is run by the yakuza," the social worker said.

"Then, the labourers lose money gambling at the yakuza's parlours, so they have to borrow from the loan shops you can see here. They are run by the yakuza."

Japanese is imaffected and, the recent riots aside, the yakuza bring a certain social order to the otherwise disorderly fringe dwellers.

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"Then, the labourers lose money gambling at the yakuza's parlours, so they have to borrow from the loan shops you can see here. They are run by the yakuza."

The news last week that the local along and often harmonious relations.

and outside Nishinari. The gangi, nationally, earned an estimated vi. 500m last year, and finit membership was reckoned to be 57,600.

Given these traditional police gangines, it is understandable that a day is bourer threatened by a yakuza tem shark is unlikely in turn to the Nishinari is also a beacon for him.

Nishinari is also a beacon for him workers, particularly from southers particularly from southeast Asia and and Smith Kores, him they often have stronger support per workers than the down-and-out laps, ness: There is an Asian workers susport per worker is an Asian workers support per workers and a Asian workers support per workers and a Asian workers support per workers are a day and a strong sense of identity among national groups, while the Japanese are outsiders in their own society.

while the Japanese are outsides in their own society. Their plight has unswe the attention and generosity of religious welfare groups, while some left wing servists see the men as the perfect symbol of oppression, and would like to make them the vanguard of a revolution. On one wall of the Day Labourers Association, a tapestry shows Mao Zedong in contemplation, and hangs next to portraits of Lemia and Marr. On another wall, there are postraits of the "marryis" of pest campaigns — an activist killed by a buildozer and another shot by the yakuta — and the slogan: "From here on, what must be done."

alogan: "From here on, what must be done."

The office is just around the corner from the besieged police station, and is obvious to all, but it takes a few furtive phone calls to draw out the leader, is an Hashino, who claims to have been arrested II times and that he is on a yakuza hit list.

"People here have very hand lives. The greatest problem is the people who are too old or too sick to work. If you don't have the money to pay for a night in a hostel, then you have to spend the night on the streets. Then, if you are capable, you fry in get work the next day, and so on." Mr Hashino said.

Taiwan reserves replenished

TAIWAN'S foreign exchange reserves are set to top \$70hm (£35.5bn) again following a three-year low of \$63.5bn in June, reports Peter Wickenden. A record \$8.5bn left the island in the first half of the year as the stock market plummeted and social disorder affected the investment climate.

Mr Samuel Haleh, central bank governor said on Monday build governor saud on monacy that capital had been return-ing since July as investors took money out of other Aslan markets and cashed in regional mutual funds.

Peking leadership outlines cautious economic package CHINA'S hardline leadership

CRINA'S hardline leadership yesterday outlined cautious new economic plans for the next five years, Ranier reports from Peking. Diplomats noted that this signalled a further retreat from the bold reforms of the middle 1980s, already on hold for the last two years.

Li Peng, the Chinese premier, called in a lengthy speech, published in the official People's Daily newspaper, for more economic retrench-

for more economic retrenchprojects in the five years begin-

"We cannot develop blindly,"
It said. "We do not want to seek over-rapid growth."

A new five-year plan, beginning 1991, is to be finalised at a plenary session of the ruling Communist Party's central committee, possibly next month Lest Angust, It said China was aiming at average growth of 5.5 per cent to 6 per cent over the five years.

While Id's latest speech pledged to continue China's opening to the outside world, it made no mention of price

made no mention of price

of stimulating production by

of stimulating production by freeing prices.

Nor did Li refer to changes in ownership of inefficient state industries or the prospect of bankruptcy — policies that emerged from the reform programme begun in 1978. These policies, abandoned after massive inflation in 1988, were unacceptable to the hardline ideologues in control since the massacre in Peking in summer

On the contrary, he indicated: that the government would continue subsidies for

these industries - subsidies that now eat up one third of the national budget.

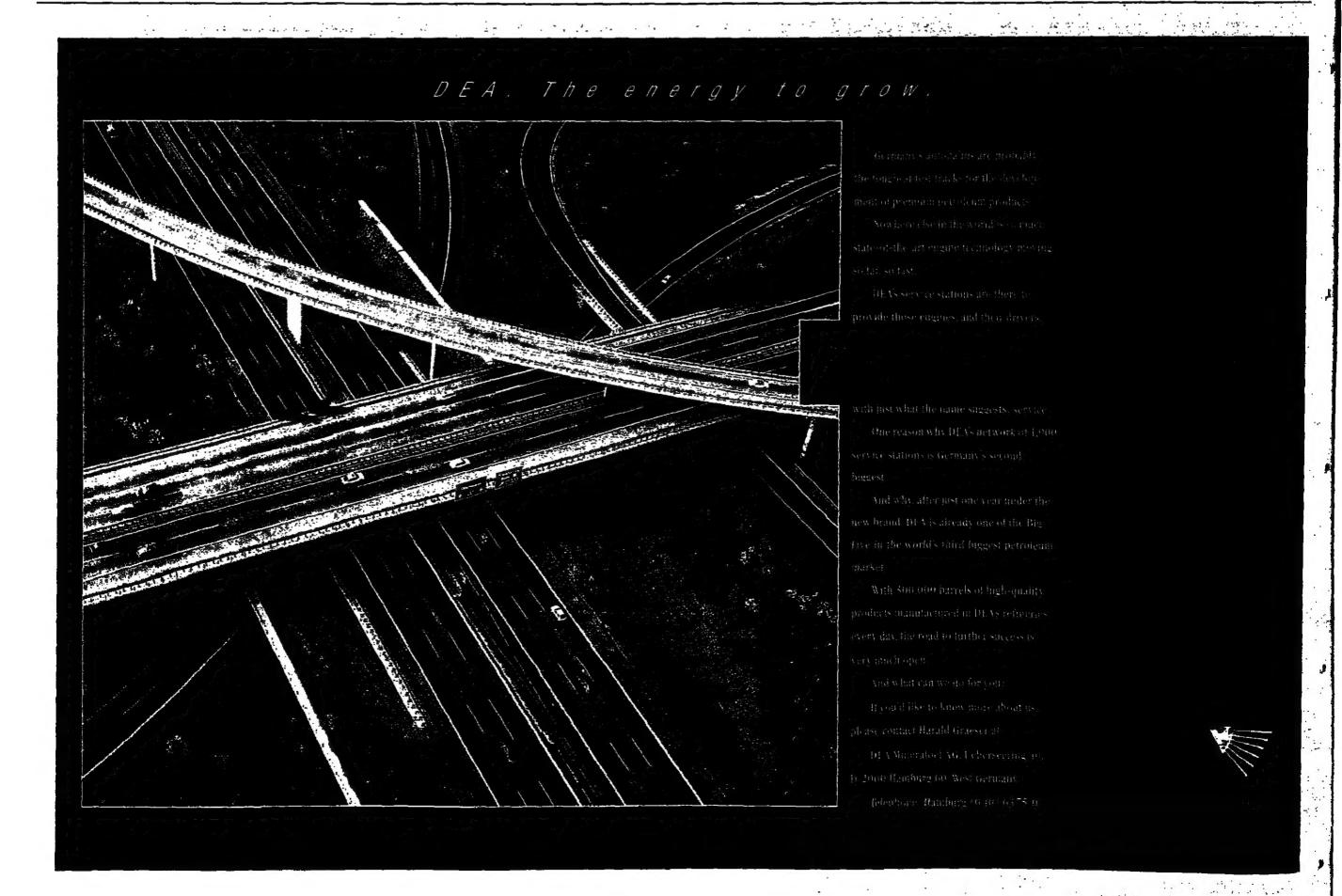
Li pledged fewer big development projects over the next five years. The exception is shangher, which plans a multi-billion dollar development of its Pudong district that will absorb much of the money China has for development.

O China says it will overhand at the management and safety regulations in the wake of last week's hijacking and three aircraft pile-up in the southern

writer from Paking. The accident left 127 passengers deed, and several dozen others injured.

The Civil Aviation Authority of China, yesterday concerted there were management problems. That warrented a shake-up of the company and at Kiamen airport, where the hijacker boarded with explosives taped to his body.

Iliplomate say arrine policy has been to reast hijackers, a claim supported by retent steemes ending in crews subducing attackers.



INTERNATIONAL NEWS

Saddam's 'new' missile puzzles experts

By David White, Defence Correspondent

WESTERN missile experts were puzzled by President Sad-dam Husseln's announcement yesterday of a new weapon capable of attacking krael. But they emphasised that Iraq already had bellistic missiles with sufficient range.

It was not clear whether the

Al-Hijara, meaning "the stones," was in fact a new

stones," was in fact a new weapon or a new name for a system already in existence.

Mr Saddam told the Israelis yesterday they had no choice but to leave Arab lands and warned that Iraq had a powerful new missile which would strike "when the time of reckoning comes". His comments followed the deaths of 19 Palestinians by Israeli police in Jerusalem on Monday.

The choice of name was evidently intended to link the weapon to Palestinian protests.

Mr Saddam said Iraq had many of the missiles, with a range of hundreds of kilometres. Some experts said this

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metres. Some experts said this suggested one of Iraq's enhanced versions of the Soviet SS-I Scud.

One of these, the Al-Hussyn, with a smaller warhead than the Scud but double the Soviet missile's 300km range, was used in the Iran-Iraq war. According to the International Institute for Strategic Studies, had has deployed at least six Al-Hussyn launchers in its western desert region, within reach of targets throughout Syria and much of Israel. Faq-has also deployed a 900km-

Syria and much of Israel frag-has also deployed a 900km-range derivative, the Al-Abhas, test-Isunched in early 1988.
Last December, Baghdad said it had successfully isunched a time-stage rocket capable of putting satellities into space. It is thought a mis-sile version would have a range of 2,000km.

sile version would have a range of 2,000km.

A collaborative project based on the Argentine Condor 2 programme, with a planned range of up to 1,600km, was stalled after Egyptian withdrawal and a clampdown on assistance from western companies. But the lragis are thought to be keen to appropriate the project's solid fuel technology. Their Scud-based missiles use liquid propellant.

Opinion is divided as to

Opinion is divided as to whether frag has chemical warheads for longer-range Scud derivatives. Some Scud launchers are believed to have been moved to the Basra scion near Kuwait.

Brazilians leave Iraq

THE LAST group of 82 Brazilians arrived in Brazilian from Baghdad on Monday, completing the country's evac-nation of all 500 of its citizens in Iraq, Reuter reports from Brasilia.

Mr Paulo Tarso Flecha de Lima, Brazil's ambassador to London, headed a diplomatic nission to Iraq 23 days ago to negotiate exit pleas. The last group obtained visas on Sunday and travelled on a chartered Iraqi Airways flight anticalsed by the commission. of the United Nations that had ordered the Iraq air blockade. The 82 Brazilians are

employees of Mendes Junior, the construction company, which spent \$600,000 (2305,000) on evacuating 255 people in two chartered jets. The foreign ministry said 11 Brazilians had volunteered to remain in Iraq to maintain the company's

Boarded ships came from Yemen, Jordan

The two cargo ships boarded by international forces block-ading Iraq on Monday had salled from Jordan and Yemen, western diplomats said yesterday, Reuter reports from

The 3,672-ton Tadmur and the al-Washti, both under Iraqi flag, were imbrespted on Mon-day by western ships enforcing the United Nations trade embargo imposed on August 6. up on March.



Thousands of Palestinians march at the Baga refugee camp in Amman yesterday after the killing of 18 on Jerusalem's Temple Mount by Israeli forces

Gulf decision nears for Bush

Peter Riddell, US Editor, on the mood in Washington

HE US budget crisis has dis-tracted attention from the Gulf in Washington over the past two weeks, but it is only a temporary

The Gulf crisis no longer automatically dominates, or even appears, on the front pages of the main US newspapers. The policy of isolating Iraq by diplomatic and economic means is set the military build-up - 204,000 US forces personnel in the region - is nearly complete. It is now a matter of

But the tempo can easily accelerate as this weak's events in Israel have shown. At his White House press conference yesterday President George Bush was at pains to counter Iraq's attempt to link the killings of the Palestinians in Jerusalem to the Kuwait question. In a statement as much of hope as of prediction, he did not think the latest flare-up would not think the latest flare-up would endanger the Arab coalition against Iraq. The involvement of Israel is just what Washington fears. So no wonder Mr Bush yesterday urged the Israeli security forces to be better prepared and to act "with greater restraint".

The other potential pressure for action is what the US has described as "the systematic destruction" of Knwait by the Iraqis. Mr Bush admitted this was "a new equation in the last three weeks that concerns us

last three weeks that concerns us enormously" – and he said his patience was "wearing very thin on

Yet even if external events do not force a decision, at some stage President Bush will have to decide whether sanctions are working or whether the

alternative of military action has to

Mr Bush does not have a precise timetable. There is no reason to doubt that he is sincere in hoping that sanc-tions will work. Central Intelligence Agency estimates supplied daily to him - reinforced apparently by Soviet intelligence help - suggest that evasion of sanctions exists but is not substantial. They point, however imprecisely, to increasing economic problems within Iraq, such as short-ages and higher prices, but that is a long way from saying that tightening sanctions will force President Saddam Hussein to withdraw from Kuwait. The view in Washington is that it will not be possible to reach an assess-ment until at least early December.

hen, if Mr Bush judges that sanctions are not working suf-ficiently, the US recognises that it will have to consult before taking further action. Aside from Iraqi aggression requiring an immediate armed response, President Bush and his advisers accept the need to prepare both an international and domestic consensus. Military action

domestic consensus. Military action would then be presented as a regrettable but inescapable last resort. This consensus does not exist now.

Congressional leaders, in last week providing overwhelming backing for Mr Bush's handling of the crisis so far, specifically warned that this was not a blank cheque for military action. Leaders of both parties urged the need for more patience in seeing The problem is that Congress is

likely to be in recess when any decision on further action is taken. There have already been informal discussions with chairmen of key commit-tees about future options, including

the use of force.

The present lull has also provided time for a debate about the consequences of military action. US officials believe that such a war could be won. Even if they are highly sceptical about the advocates of strategic air power, they believe the Iraql air force could be neutralised quickly and the problem would be a prolonged battle with its large and heavily armoured

ground forces.

Although among some policymakers there is almost a fatalistic feeling that war cannot be avoided, there is understandable apprehension about the possibility of tens of thousands of US casualties as well as fears that the whose of the Middle East, including Israel, will be caught up in any con-

Moreover, the polls show a wide-spread view that the US itself is hav-ing to bear too much of the burden, and risks, on behalf of European, Jap-snese and Arab allies. Even so inter-vationalist a resource as the New nationalist a newspaper as the New York Times has argued this week that Washington should demand much more from the allies, which should deploy more forces and contribute more financially.

The limitations of President Bush's ability to convince the American peo-ple have been shown by the budget flasco of the past week. He will have to be more persuasive if he is to win support for eventual military action.

Bhutto attacks president

MS Benazir Bhutto, the former Pakistani prime minister, yes terday accused Pakistan's president of "naked aggression" against the judiciary and said he had acted like a martial law administrator, Reuter reports

She said the dismissal of two judges showed President Ghulam Ishaq Khan was deter-mined to bring the Judiciary into line. She was speaking shortly after appearing before a special court in Lahore. Since dismissing Ms Bhutto on August 6 and ordering elec-tions, Mr Ishaq Khan has con-firmed several acting judges but sacked two the most recent an acting supreme court jus-tice on Monday. Ms Bhutto attacked the 75-

year-old bead of state as "a stubborn old man" and said she regarded him as her main opponent in the national elec-tions due on October 24.

Last week he attacked "fas-cist tendencies" in her Pakistan People's Purty after violent scenes at the Labore High Court when she was first due

to appear. This time the police took no chances. Hundreds of officers wearing riot gear set up a secu-rity cordon several hundred yards from the colonial court complex and stood shoulder to shoulder around its interior

Manageable setback for Gulf economies

By Victor Mellet in Dhahran

IRAQ'S invasion of Kuwait has been a "severe but man-ageable" setback for domestic markets, private businesses and banks in the Gulf after encouraging signs of economic strength in the first half of the year, according to a report published today.

Dr Henry Azzam, Chief Economist at the Bahrain-based Gulf International Bank (GIB), predicts in his latest report that there will be very report that there will be very little new private sector investment in the region until the Gulf crists is resolved.

"Several joint venture projects scheduled to begin in 1991 may now be delayed pending a lasting solution," says Dr Amam. "It may take work because to revive foreign much longer to revive foreign investment participation, and Gulf governments will have

to step in to fill the gap left by private and foreign The report paints a gloomy picture for non-oil activities such as construction and ser-vices, which had been regaining momentum after the 1988 ceasefire ending the Gulf war between Iran and Iraq. Governments, profiting from

Governments, profiting from higher oil revenues, will have to spearhead economic develnt as they did in the 1970s, but much of their atten-tion will focus on defence.

On the brighter side, Dr
Axam writes: "There is
money to be made from every
aspect of the crisis, whether
from additional defence spending or reconstruction related
activities." He acknowledges that the region's banks, particularly the offshore banking units (OBUs) in Bahrain such as GIB, have been hurt by cap-ital flight to safe havens such as London, New York and Switzerland.

"Bahrain's prospects as an offshore banking centre have been affected," he says. "Some international banks may scale down operations or leave the island but economic activities

in Bahrain and the region will not come to a standstill."

Private sector deposits transferred abroad from the transferred abroad from the Gulf ranged from 10 to 30 per cent depending on the country, the report says, but Gulf gov-ernments injected deposits, probably leaving the average net decrease at not more than 10 per cent. Local bank depos-its of the United Arab Emir-ates authorities are 50 per cent

THE SECRET OF YOUR SUCCESS

lugged into the mains in Liverpool or utilizing the battery pack in Lhasa, the life of a travel writer is unpredictable to say the least. For instance, sharing a room with a dozen varieties of cockroach, whilst waxing lyrical about the finer points of Tibetan cuisine, is not always the easiest way to earn a living!

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Report accuses Malawi of human rights abuses

By Michael Holman, Africa Editor

THE government of Malawi, the fourth largest recipient of British aid to sub-Saharan Aftica, has been accused of "gross human rights abuse" in a report to be published today. The 116-page account of "systematic suppression of dissent" has been compiled by Africa Watch, the London-based organisation which monitors human rights on the continent.

The report challenges Mr Douglas Hund, the British foreign secretary, to put his promise to link aid with "good governance" into practice, Last.

June Mr Hurd warned that "governments who persist with repressive policies, with corrupt management, or with wasteful and discredited economic systems should not

expect us to support their folly with scarce aid resources". The Africa Watch report, which claims that the government uses torture and has assassinated opponents real or imagined inside and outside Malawi, says: "Malawi fails this test on all counts except perhaps its adherence to mar-ket principles. Mr. Hurd again referred last

week to linkage between aid and human rights. "Poverty does not justify torture, tyranny or economic incompe tence," he said.

Malawl, ruled as a personal fiefdom since independence in 1964 by Dr Hastings Kamuzu Banda, president for life, received \$43m in British aid

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Problem Solved

Kevlar* and Nomex*: Helping to increase motor racing safety.

It's quite normal for Formula One racing cars and even rally cars to reach 200 km/h and sometimes well over 300 km/h. Clearly, the smallest technical defect or driver error at such speeds can have serious consequences, which makes driver protection and safety crucial.

Racing drivers know this. They wear helmets reinforced with KEVLAR and protective overalls made from flame-resistant NOMEX III

Such precautions have already saved many a driver's life. Press reports suggest, for example, that this is the case with former world champion driver Niki Lauda, as well as Nelson Piquet and Gerhard Berger.

Nomex III - The superior flame-resistant formulation.

In motor racing, spectacular accidents are, unfortunately, all too frequent. And if a car catches fire, a few seconds can make the difference between life and death. A protective garment made from NOMEX III can save a life in this sudden, critical situation. This heat- and flame-resistant fabric provides protection against fire for an exceptionally long period. NOMEX III is a blend of NOMEX meta-aramid and KEVLAR para-aramid developed

aramid and KEVLAR para-aramid developed by Du Pont. It has proven advantages over other heat- and flame-resistant textiles. This is mainly because the woven material does not break open even when exposed to flame, so that the skin is not directly exposed to the fire.

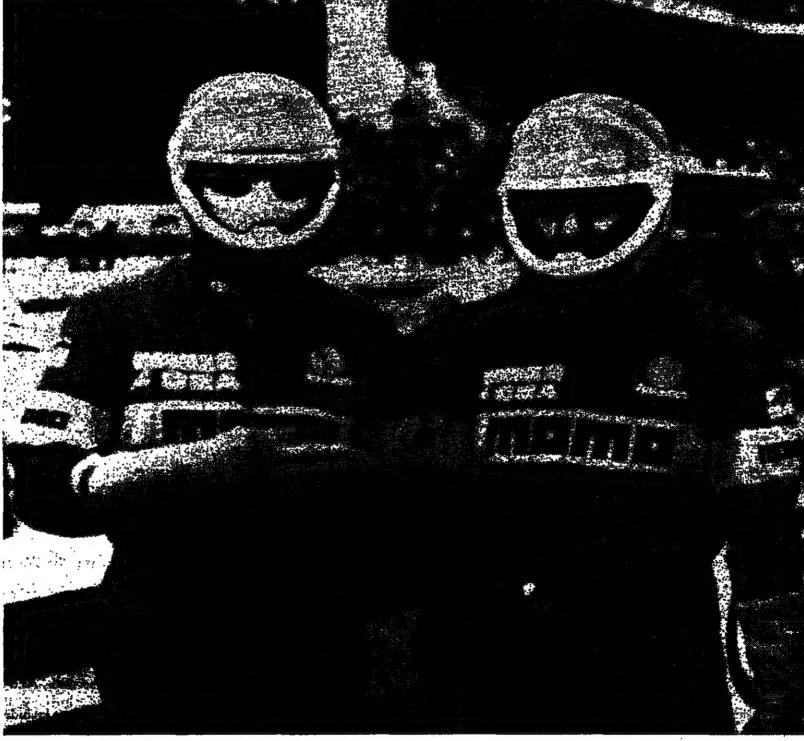
Du Pont has subjected NOMEX III to numerous tests which confirm its exceptional protective properties. A special manikin developed by Du Pont, known as the "Thermo-man", is one of these. It is 1.85 metres tall and has 122 sensors distributed over its entire surface to register temperature, quantifying pain thresholds and the critical point when burns first occur. The results have provided invaluable information for the development of safer protective clothing.



MOMEX III under test on the "Thormoons

Critical protective clothing applications.

Firemen, policemen and industrial workers can all find themselves in potentially dangerous situations. Garments of



NOMEX III can be developed to provide the degree of protection required for different risk situations. And with a special advantage: material made from this patented fibre blend is as much as 40% lighter than flame-retardant cotton for the same protective performance. In addition, NOMEX III is resistant to most chemicals and does not melt.

What's more, a protective garment made from NOMEX III is a good investment for another reason – its protective properties are permanent, even after



Izikao firamen waar cipthing of MOMEX (

long periods of wear and repeated washing. It will last about six times as long as a garment of flame-retardant cotton.

This is why public authorities and organisations are relying increasingly on clothing made from NOMEX III. In the U.K. the majority of professional firemen are equipped with NOMEX III. So are an increasing number in Germany. In Italy, all 25,000 members of the national fire service are equipped with protective garments made from NOMEX III.

World rally champion with Keviar, KEVLAR makes many contributions to the increased safety of motor racing. For example, it is used to reinforce helmets, car body components and tyres. A burst tyre at high speed is a nightmare for any driver. Hours of driving combined with repeated heavy braking subject tyres to exceptionally heavy loads. Leading tyre manufacturers have therefore adopted KEVLAR to reinforce their high-speed and other speciality tyres. Tyres reinforced with KEVLAR have numerous advantages: they are lighter, develop less heat and withstand greater ioads.

Michelin, Pirelli and Dunlop have been

proof, heat resistant, self-extinguishing, nonmagnetic and electrically non-conductive. And it retains all its useful properties from -40°C to + 180°C.

Du Pont is now once again setting standards in fibre technology with the KEVLAR "Hx" Series, which achieves significant performance improvements for specific applications. KEVLAR "Ht" has, for example, higher tensite strength; KEVLAR "Hm" a higher modulus of elasticity; and KEVLAR "Ha" greater adhesion. KEVLAR "Hc" is available in other colours as well as the original yellow, while KEVLAR "Hp" is ideal for optimising performance of sports equipment.



Group C — World Cops 1987 and 1988 for Jaguer therefore, for Daylor Gress rainforced with ICHLAR as well.

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championships in the past ten years as well

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KEVLAR. Not only in tyres, but also in brake

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The second generation.

Brazil reopens bank debt talks

By Simon Fisher in Rio de Janeiro and Stephen Fidier in London

BRAZIL reopens negotiations with creditor banks in New York today for the first time since it suspended payments since it suspended payments on the developing world's biggest foreign debt in June 1989.

Brazil has announced unilaterally that the bank advisory committee representing creditors at the talks, which is led by Citicorp of the US, would be increased from 16 to 22 members.

The move, which is expected by some bankers to lead to friction at the start of the talks, is being interpreted as an attempt to dilute the influence of US banks. They have led the campaign to get Brazil to pay accumulated arrears to the banks, now estimated at more than \$8bm (\$4.10m).

The six new members of the committee are all European, three of them French. Yet French banks account for only about 6 per cent of the bank debt, while the Japanese with only two representatives

with only two representatives on the committee — are owed about 20 per cent of the debt.

Brazil had a total debt of \$112.7hn at the end of 1989, \$75.2bn of which is owed to private sources, according to the World Bank. It is seeking a substantial debt reduction to secure a definitive solution to its debt problem. It wants terms at least as favourable as those agreed with Mexico and

While the possibility of releasing about \$1bn in over-due payments for private com-pany debt deposited in the cen-iral bank has been left open. Brazil wants the flon's share of public debt arrears to be refin-anced together with future

Mr Jorio Dauster, the chief

debt negotiator, will repeat the message given to generally unsympathetic bankers at the International Monetary Fund/ World Bank meeting in Wash-ington two weeks ago, that debt payments must be limited to Brazil's ability to pay. This has been reduced by the Gulf

for imported oil.

After decades in which the international financial community complained of economic mismanagement in Brazil, the team will argue that banks cannot now have it both ways: the government's far-reaching liberalisation programme will collapse if payments exceed Brazil's budget surplus. Together with now-familiar

crisis and the higher price paid

proposals to exchange old dabt for new titles based on reduc-tion of capital or interest, or a combination of both, Mr Daus-ter will present a menu of debtreduction proposals, expected to include a formula whereby payments would increase in line with Brazil's economic

recovery. However, the formula would also allow for payments to fall in line with external factors, such as higher oil prices, recesand a rise in international

The talks will run until Friday, when a new meeting will be arranged at which banks will reply to the Brazilian pro-

 Brazil yesterday announced
a 30 per cent salary rise for
public employees — including
civilian, military and retired personnel. The increase, effec-tive from this month, will reduce the Treasury surplus by about NCrz40bn (£280m) a

Friction likely as Privatisation fears of Uruguay's very public workforce

Progress is slow in a country where one in four employees works for the state, writes Leslie Crawford

PRESIDENT Luis Alberto Lacalle of Uruguay, who took office in March, is a fervent convert to the cause of privatisation in a country where most of the population remains opposed to the idea of selling off state enterprises.

This entrenched antagonism

baffles Mr Lacalle. "All Uru-guayans complain about the public telephone service," he says. "When you ask them whether they think a private company could do a better job, they say yes. But when you then ask whether Antel (the state telecommunications com-panyl should be privatised, a najority say no."

It is not that Uruguayans are

It is not that Uruguayans are irrational, he says. It is just that they are very conservative, and wary of change.

Although privatisation figured prominently in the president's electoral platform, he knows he must proceed cautiously, not least because Uruguay's complex electoral rules allowed him to win office with

allowed him to win office with only 22 per cent of the national

The biggest fear is that pri-vatisation will lead to massive vatisation will lead to massive job layoffs in a country where one in four of the workforcs (some 270,000 people) is employed by the state. Though the pay is poor, and most public employees take on extra jobs to make ends meet, they value the security of state

employment Under Uruguay's constitution it is illegal to sack a civil servant unless he com-mits a criminal offence.

Mr Lacalle's most vocal opponents are Uruguay's powerful trade unions. Using arguments that have almost disappeared from the rest of Latin America, they accuse the presi-dent of jeopardising Uruguay's sovereignty by attempting to hand over key state services to foreign multinationals.

foreign multinationals.

The main left-wing opposition alliance, Frente Amplio (Broad Front), is also against privatisation, although it agrees that the state sector needs to become more efficient. "What we are against," says retired general Liber Seregni, Frente Amplio's 73-year-old leader, "is privatising profits and socialising losses."

Mr Seregni is particularly

Mr Seregni is particularly critical of the way the government has set about reprivatising four banks that were rescued in 1987 on the brink of collapse. Banco Comercial, the biggest private bank in Urumggest private bank in Uni-guay, is expected to be sold to a consortium of foreign banks next month for a nominal sum of \$15m (\$7.6m). The central bank has also agreed to take over Comercial's portfolio of had debts.

Mr Agustin de Urtubey, cen-tral bank vice-president, esti-mates the government spent



Lecalle: caught between desire for efficiency and job security. ercial has given Mr Lacalle a foretaste of the problems that lie ahead. Even within his ruling National Party there are voices of dissent. This is expected to bog down legislation in Congress; and nobody in or outside government even dare to medicit when a privatisation.

cial and restoring it to finan-

"We paid to get rid of it," he says. But the announced sale oked a national scandal. provoked a national scannar.
Mr Enrique Braga, the finance
minister, was hauled before
Congress three times last
month to explain the terms of

The other is a broad "state-reform" bill which, among other things, seeks to give the government a free hand in the disposal of state assets.

Mr Hughes, who was in Britain in July studying how serious contrarries more prices. ration in July studying now various companies were privatised, says most of Uruguay's 15 state companies make a profit, but they are able to do so only because they are monopolies and can therefore fix prices.

"Our ports." he says,
"employ 5,000 workers, but
Valparaiso in Chile moves
three times more cargo with

only 650 employees." He believes that privatising certain services and opening up other activities to private competition is the only way to rescue the country from its chronic decline.

One of the few men who remain undaunted is Mr Con-rado Hughes, the budget and planning minister, who has been dubbed Urugusy's "priva-tisation czar" by the press.

He has sent two bills to Con-

gress one which seeks to do away with state monopolies in

insurance, telecommunica-tions, port services, gambling, cement, and alcohol refining.

covered from a steep reces sion in 1982 and 1988, and over the past 10 years investment has been so low it has not been sufficient to compensate for

capital depreciation.

More than 10 per cent of the More than 10 per can of the population, some 300,000 people, were driven into exile by the 12-year dictatorship that ended in 1985, and this robbed the country of most of its best-qualified young professionals

sionals.

Antel is a key company that will be up for privatisation if Mr Hughes' legislation makes

Antel Congress, Ms Rosa-Mr Hughes' legislation makes it through Congress. Ms Rosario Medero, Antal's recently appointed president, says the company has only just begun examining various options with the World Bank and foreign privatisation consulforeign privatisation consul-

However, she is already con-vinced that Antel needs private partners to double its current investment rate of \$50m a year. There are 97,000 Uruguayans waiting for telephones. On average, they will have to wait two years, but in the country-side 15 years is not unheard of. Ms Medero says the state alone does not have the resources to does not have the resources to

She believes the state will probably retain a large share in Antel, although it will leave the day-to-day administration to a private operator. She also places great store in the demonopolisation of the belecommunications earter as this will munications sector, as this will encourage private companies to provide new services, such as data transmission.

Bogotá eases | Budget row stand on extradition

By Sarita Kendali in Bogotá

PRESIDENT Cesar Gaviria of Colombia has offered guaran-tees to drug traffickers that they will not face extradition

A trafficker who gives himany subsequent charges, can also earn a reduced sentence. The move, which follows an offer of more lenient sentenc ing to some traffickers last month, makes it possible for one judge to hear all the charges against a self-con-fessed trafficker and, if no sen-tence has been passed, to

The new measure implies significant softening of extradition policy. None the less, Col-ombian authorities pushed ahead with a carrot-and-stick policy toward the cocaine car-tels by simultaneously announcing the extradition to the US of the 21st suspected drug trafficker in the past 14

of justice, said the changes would help strengthen Colombia's judicial system. No important drug trafficking figure is on trial at present, and the main suggest in the case. main suspect in the case involving the murder of Liberal presidential candidate Luis Carlos Galan recently walked out of jail wearing a

false beard. Since the kidnap of Mr Francisco Santos, news editor of the Bogota daily newspaper El Tiempo, the government has repeatedly denied rumours of negotiations with the Medellin cartel. A commission of elder statesmen offered to mediate, saying an interchange of ideas seemed more suitable than the use of kidnap as a weapon to pressure the government into dialogue.

Mr Santos, as well as Ms Diana Turbay, daughter of a former president, and five other journalists are all assumed to be in traffickers' hands.

hits Bush ratings

By Peter Riddell, US Editor in Washington

PRESIDENT George Bush's approval rating has dropped sharply during the current budget crisis, although American voters; are also critical of Congress.

Two polls yesterday, show approval of how Mr Bush is handling his job as reguldant dropping to July levels, before the Gulf crists started. But the figures are still positive for

figures are still positive for this stage of a presidency.

A Washington Post/ABC News poll points to a decline in Mr Bush's approval rating over the past mouth from 75 to 65 per cent, the same figure as in July. A New York Times/CBS News poll points to a 14 point drop to 62 per cent since mid-August, although his rating had already slipped back ing had already slipped back to 87 per cent by late Septem-ber. This suggests that

According to the Washin ton Post poll, only 14 per cent of voters blame Mr Bush spe-cifically for the current budget situation, while 57 per cent blame Congress — split almost evenly between Democrats and

Republicans — and 16 per cent say all are equally to blame. In the New York Times poll, only 5 per cent single out Mr Bush, 32 per cent cite Con-gress, while 54 per cent blame both equally.

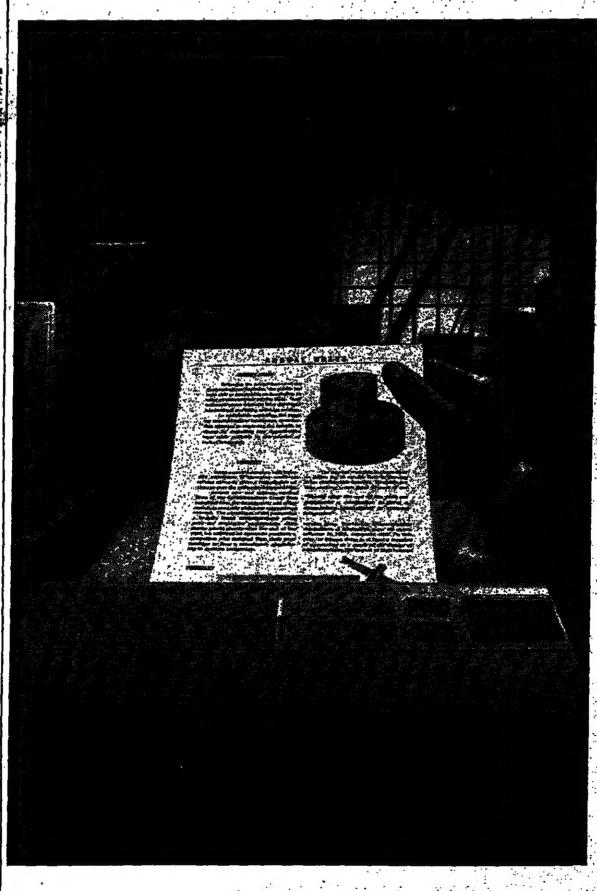
ticism about Congress, but

the two parties ahead of the November 6 elections. November 6 elections.

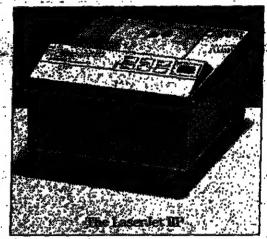
However, in the Washington
Post poll some 63 per cent
thought there was a greater
danger that Republicans
would go too far in helping the
rich and cutting needed government services than thought
the Democrates needed so too the Democrats would go too far in keeping costly govern-ment services that are waste-

By contrast, only about 38 per cent took the reverse view and regarded Democratic policies as a greater danger.

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Latin American leaders to hold two-day summit

By Joe Mann in Caracas

NINE Latin American presidents are scheduled to meet in Venezuela's capital tomorrow for two days of talks under the auspices of the Rio

Group.

The group is an informal consulting body that includes the governments of Argentina, Brazil, Colombia, Mexico, Peru. Uruguay, Venezuela, Ecuador and Chile.

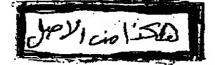
Mr Carlos Andrés Pérez, Venezuela's president, said two of the main topics would be US President George Bush's Enterprise for the Americas Initia-tive, aimed at expanding trade and investment in the region, and the need for governments

to achieve economic integration among themselves.
The presidents will also

rhe presidents will also examine other economic and political issues affecting Latin America and the Carribbean. Diplomats organising the Caracas conference said there was no formal agenda and that the leaders would decide on topics. ders would decide on topics to be considered. .

Three working sessions are scheduled, and the presidents will issue a joint declaration on Friday evening.

in the past the group has discussed such issues as regional integration and security, controls on the drugs



UK NEWS

Survey of foreign takeovers by British companies shows 30% fall in value

Slow growth hits expansion abroad

SLOWER economic growth may be taking its toll on Brit-ish companies' plans for international expansion through acquisitions, according to fig-ures released yesterday which show a 30 per cent fall in the value of foreign takeovers by

British companies. The figures, compiled by KPMG Peat Marwick McLintock, the accountants and management consultants, show that British companies made 44 deals worth \$14.4bn in the first nine months of this year. In the same period last year British companies made 592 acquisitions worth an estimated £20.4bn

cross-border acquisitions have been among the first casualties of higher interest rates and slower economic growth in the UK over the last year which has depressed industrial prof-

The KPMG survey of cross border acquisitions suggests that British companies may have decided to forgo expan-sion overseas in favour of maintaining investment in the UK. Recent business surveys have found that industry intends to maintain its UK

The figures show that for the first time in recent years the UK has become a net seller of The estimates show that corporate assets. In the first

nine months of this year 258 British companies were bought by foreign groups in deals worth \$16.7bn.

In the same period last year 236 British companies were sold to foreign purchasers for Britain's entry into the ERM could prompt an increase in the inflow of foreign invest-

Mr Gerry Archer, head of corporate finance at KPMG said: "Our joining the ERM is also likely to boost the UK's attraction to both US and Japanese investors looking for a foothold in Europe. We could thus see the continuation of high levels of sales of UK com-

the government to address the

issue of transport urgently.

Mr Jeremy Mindell, a local

government councillor from London, won applause from the conference floor when he criticised plans to build bigger motorways and better roads. In a defensive speech, Mr Parkinson said that it was "non-

panies at high values as fresh foreign investment moves in." The increase in foreign purchases in the UK stands in contrast to the position of other EC economies such as France, Germany, Italy and the Nether-lands which have seen sales fall in the first nine months of

The survey shows that dur-ing the first nine months of the year the US took over from the UK as the world's leading cross border acquirer, with 286 deals worth \$14.8bn.

Cross Border Deals Survey, available from KPMG Peat Marwick McLintock, I Puddle Dock, Blackfriars, London ECAV SPD.

Government to go ahead with £1.4bn cross-London rail link to ease capital's congestion

Tories show unease on transport policy

MR CECIL PARKINSON, the UK transport secretary, yester-day gave government approval for the proposed £1.4bn east-west "Crossrail" train route

across London.
The announcement came at the close of a Conservative Party annual conference debate that revealed deep-seated discontent among the Tory faithful at the state of the nation's road and rail infrastructure

structure.

The rail project decision, along with a plan to spread council house ownership, came as the only major policy announcements on a low-key opening day in Bournemouth, on the English south coast.

Around £200m has been allocated for initial studies into a new tunnel allowing British

new tunnel allowing British Rail's trains to traverse the capital between existing rail terminals at Paddington and Liverpool Street and relieve the congested Underground

Mr Parkinson said the project - scheduled for completion within the decade - was a "massive undertaking." It would add substantially to other transport modernisation projects including the exten-sion of the existing Jubilee Line and a £750m updating of the Central Line, currently

Together with other



On the defensive : Cecil Parkinson yesterday.

improvement schemes, these would add 16 per cent to Lon-don's public transport capac-ity. The additional gains com-ing from Crossrail had yet to be quantified, he said.

Some 94 motions had been tabled on transport at the con-ference with many openly deploring a perceived failure of

sense" that the government was against public transport when it was investing £6bn in the sector over the next three

years.
Even if rail capacity was doubled, it would still leave 85 per cent of traffic to go by road, he said. The transport secretary went on to promise a tough new crackdown on illegal parking on key roads, "red routes" to speed buses in city centres.

Enabling bills to allow the eventual privatisation of the former Dock Labour Scheme ports would be ready within a year. Mr Parkinson also recon-firmed the government's kong-term commitment to pri-vatise British Rail while

vatise British Rail while adding that it would not be an easy or rapid task.

"The question is not about whether we should privatise it but about how and when," he said. Briefing reporters after his speech, Mr Parkinson — more a decline of the Tork suponce a darling of the Tory sup-porters in the country – brushed aside the conference's downbeat reaction to his pro-posals for the sector.

But Mr John Prescott, Labour's transport spokesman, attacked his opponent for a "tired and uninspiring" perfor-mance aimed more at electoral considerations than at resolving Britain's transport prob-

BRITAIN IN BRIEF



Chevron to sell 15% in North Sea

Chevron, the US oil company, -has put about 15 per cent of its North Sea assets up for

sale.

The package represents one of the biggest sales of North Sea properties since British Petroleum sold some of its North Sea assets to Oryx Energy of the US last year. However, analysts differed widely in the likely value of the total assets, with estimates ranging from £160m-£350m. The nackage accounts for some The package accounts for some 33m barrels of oil in producing fields, about 15 per cent of Chevron's North Sea reserves under production. It represents total reserves, excluding exploration potential, of over 100m barrels

of oil equivalent.
The sale will reduce Chevron's North Sea output from 84,000 b/d to 63,000 b/ d. Chevron UK said it want to sell interests where it was not operator in order to concentrate on its core North Sea busines

House prices on the rise

House prices rose nationally in September for the first time for three months, according to a survey by Halifax Building

Society.
In spite of the rise of 0.5 per cent in the month, house prices were still 0.5 per cent lower than in September last year. Although Halifax said it appeared that the market had bottomed out, it found "no strong evidence" of an upturn in the near future.

The society said that if last week's cut in interest rates was followed by further cuts to 12 or 11 per cent, house prices might rise by 5 per cent by the end of next year.

English for East Europe

A campaign to persuade 300 British companies to sponsor English lessons for Eastern Europeans has been launched by the English Speaking

The organisation plans to open new branches in Poland, Hungary and Yugoslavia in January, and one in Estonia soon after.

David Hicks, director-general of the ESU, which aims to promote international friendship through the English language, said the revolutions in Eastern Europe triggered the new

Co-operative

merger Co-operative Retail Services,

the retail arm of the Co-operative wholesale and retail organisation, is to merge with the Cambridge Co-operative Society.

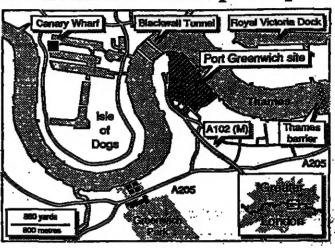
Over the last 20 years, CRS has helped consolidate the fragmented co-operative movement by merging with about 180 regional societies, The Cambridge Society, which has a turnover of about £78m, runs 29 food stores, and employs 1,200 people, Some Cambridge Society food stores will be changed to the Leo's format, which is being heavily promoted by CRS in an attempt to propel it into the front ranks of food retailers.

Free EC arts market urged Tight EC controls on the movement of national treasures would create a damaging black market in Ruropean works of art and

antiques, junior trade minister
John Redwood warned.
He said the Community needed a healthy free market in such treasures despite fears from Mediterranean states from Mediterranean states that their national heritage would be plundered by their northern neighbours when RC borders disappear after 1992. Common Market rules currently allow national expressions in impose governments to impose whatever trade restrictions they like on national treasure.

Ofgas accuses **British Gas** British Gas was yesterday accused by the Office of Gas Supply (Ofgas), its regulatory

Greenwich £1bn development plan



Plans for a £1hn development on a 296-acre site on Greenwich Peninsula where the Royal Naval College is situated, in London's docklands, have been submitted. The site, owned by British Ges, which is to be known as Port Greenwich, will be developed by its subsidiary. Port Greenwich Ltd, in what is planned to be a joint venture with British Urban Development, the consortium of 11 property developers founded in 1988 to implement Mrs Thatcher's plans for the inner cities. The consortium dismissed as "totally untrue" claims in the press that the project was a "dead duck" and that BUD was to be "quietly wound down".

body, of hoursing up to 1.5hi therms of gas reserves. Mr James McKinson, Ofgas director-general, said that British Gas, which has the contract to buy most of the gas from the North See, was

stockpiling supplies 15 times greater than those available in the open market. If British Gas continues to stockpile, said Mr McKinnon. the market will be suddenly flooded when alternative sources of supply come

Industry and the ERM

onstream in 1993.

Mr Peter Lilley, the trade and industry secretary, attempted to reasoure industrialists that their businesses would not beendangered by sterling's peandingered by stating a entry into the exchange rate mechanism of the European Monetary System, at the Conservative Party conference

In a speech which won him the first standing ovation of the conference, he said that the current econo slowdown would not be "anything like as severe as the recession of the early Eighties".

Saatchi libel case verdict

Two former creative consultants of Saatchi & Saatchi, one of London's largest advertising agencies, have won a libel action against Mr Paul Arden, Saatchi's creative director.

Mr Philip Mason and Ms Rita Dempsey have received substantial undisclosed damages and an apology from Mr Arden in the High Court over remarks he made about them last autumn in an article in Campaign, the advertising industry trade magazine.

French finance journal shuts

Pinancial Weekly, the businessed finance magazine, has become a casualty of the advertising recession and is to cause publication.

The magazine, which is owned by Groupe Expan the French publishing company, has appointed Bobson Rhodes as its Navidators.

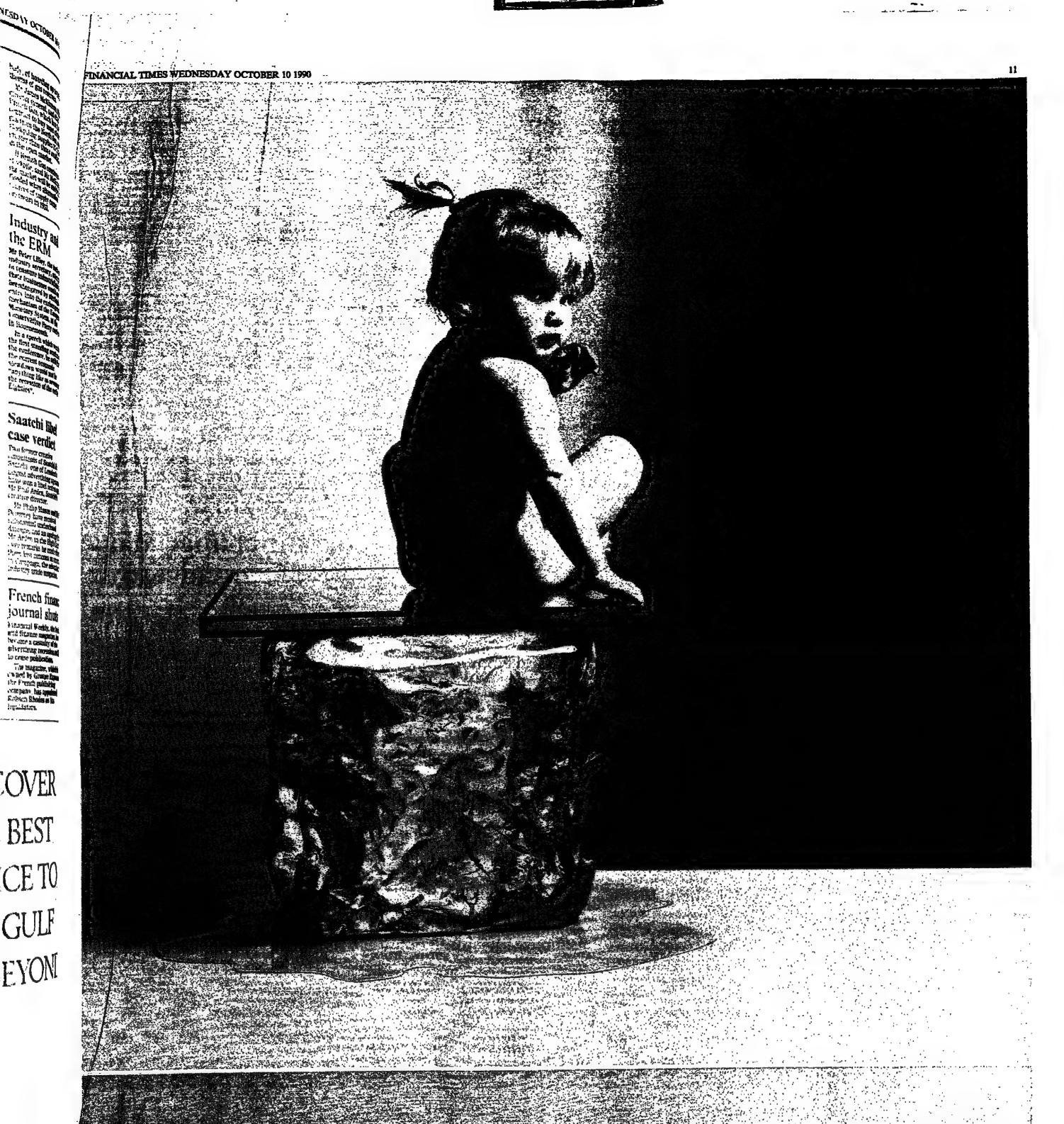


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CHES - 3020 ON THE BETTOM: IT'S STILL WARM ON THE BOTTOM.

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nuclear industry which direct Parking TON will get to the bottom of it.

against radiation as effectively as lead. Not to mention the Japanese, who import Pilkington glass for their camera lenses

And that's a lot of camera lenses. So you can be sure that if a problem and the sufficiency was for the fix and overseas. Concerns to glass. Pilkington

KNOW.HOW.

Japan link-up seen as good indicator

Laura Ashley breaks even and omits dividend

LAURA ASHLEY, the frocks, fabrics and furnishings retailer which has been hit hard by the consumer spending squeeze, saw profits fall 95 per cent in the first half of the year and passed its interim dividend. The company, which two weeks ago revealed a drastic

paring back of its manufactur-ing interests with the loss of 1,000 jobs, recorded pre-tax profits of £317,000 in the 26 profits of £317,000 in the 26 weeks to July 28 compared with £6.53m last time. The company also suggested that there would not be a great improvement in profits for the full year and shares fell 3p to 62p at the close.

Mr Andrew Higginson, the recently-installed finance director said. This helf were were

tor, said: "This half year was a very painful one for the company, its employees and its shareholders. But we believe that we now have very firm foundations for future

The company pointed to a 30 per cent increase in sales to £173.92m, its rigorous rationalisation programme and a pro-posed link-up with the Japanese Aeon Group as healthy indicators for the future. Laura Ashley is continuing to cut its non-core interests in

financial position. In the half year, the com-pany sold its Penhaligon's par-tume business to The Limited, the US retailing company, resulting in an extraordinary gain of £4.8m.

an attempt to strengthen its

It also indicated yesterday that it was to close its eight Units franchises in the second half and was looking to sell its Bryant knitwear manufactur-ing company and the San-dringham leather goods busi-

Operating profits in the first half fell by 17 per cent to 27.39m from £8.88m as the company suffered from tough retailing conditions and escalating costs.

But all the company's geo-graphical divisions recorded like-for-like sales growth and its operations in continental Europe and Japan proved espe-

Searching for a new owner in the corridors of power Richard Evans on the collapse of the plan to develop the former home of the Greater London Council

HE ghosts of the furmer leaders of London's city government must be g some grim satisfaction feeling some grim satisfaction today as another attempt to ensure a permanent change of use for County Hall comes to

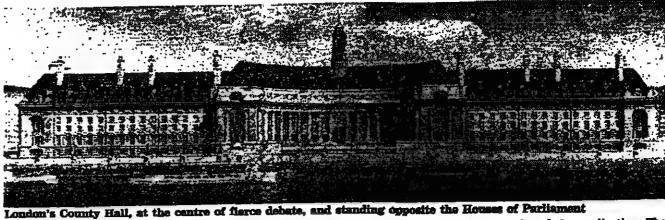
nothing.
The saga of County Hall, the imposing neo-classical building facing the Houses of Parliament across the River Thames, has been long and complex, comparable to a television soap opera, and with its own cast of heroes and villains.

Now, with the collapse of the

redevelopment plan following the calling in of a receiver by County Hall Development Group, the Anglo-Japanese consortium which was due to buy the property for £185m, the writing of the concluding chap-ter seems as far away as ever. As the home of London gov-As the home of London government, first of all under the London County Council and then for 22 years under the Greater London Council (GLC), it became the flagship for all local government. Latterly, under the aggressive, left-wing Labour Party leadership of Mr Ken Livingstone, it became a thorn in the side of Mrs Thatcher's government.

After a series of increasingly sngry rows, she decided the

angry rows, she decided the only answer was abolition of the GLC and the other metropolitan counties, which were not surprisingly Labour-con-



trolled. Since April 1, 1986 London has been the only major capital in the developed world without its own government.

It fell to the London Residual Body to sell off the remaining assets of the GLC after its abolition, and from the start lition, and from the start County Hall, as well as being the jewel in the crown, proved to be the hardest to off-load. Apart from its size - the planned 400-room hotel, business centre and residential

complex would be one of the biggest postwar developments undertaken in central London – there was always fierce political opposition to any alternative use, both from the Labour Party nationally and from Lambath, the Labour-con-

Plans to market the site for re-development were launched by the LRB late in 1986, but it took until June, 1988 before 12 took until June, 1968 before 12 consortia were ready with proposals. County Hall Development Group, made up primarily of London and Metropolitan, New England Properties, Lazard Brothers and TR Property Investment Trust, was chosen from a

building and on those grounds The collapse of the County Hall sale yesterday triggered the suspension of shares in London & Metropolitan, writes Vanessa. Houlder. The appointment of receivers at County Hall Development Group has had a "maintal impact" on the company's refinancing talks, which have been taking place over the past three weeks, the company said yesterday. In addition to a £2.2m investment in CHDG, L&M may lose a £4.6m bank guarantee.

rejected the application. The Environment Secretary with-drew permission for a go-ahead, but gave the opportu-nity for revised plans to be put forward. shortlist in June, 1988, and con-tracts were exchanged in the tracts were exchanged in the following December.
Following specifing tactics by Lambeth Council, a public inquiry, held from September 5 to November 6, 1989, accepted most of the development proposals, but the inspector criticised the height of the Balvedere office block planned behind the main County Hall building and on those grounds forward.

This presented the developers with big problems, as meeting the inspector's criticisms would involve less space and reduce the profitability of the whole scheme. In addition, there was by this time a

severely depressed property market and a difficult financial market in which to raise fund-

Following the planning per-mission rejection, the consor-tium was unable to meet the original October 1 deadline for the sale and went to the LRB

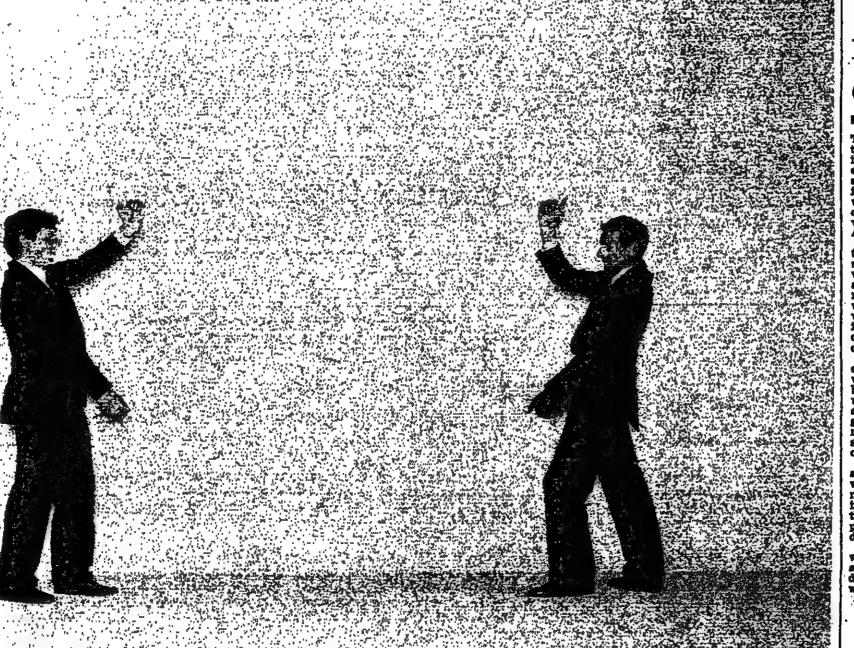
with a new offer - understood to be to buy County Hall for around half the original price.

The LRB, charged with maximising the return from County Hall on behalf of London's ratepiyers, refused, and the County Hall Development Group announced it was calling in a receiver. The consortium's shareholders are expected to lose in the 250m.

ted to lose up to 250m.
The key question that The key question that remains unsuswered is what now happens to County Hall? Sir Godfrey Paylor, chairman of the LRB, said he greatly regretted that CHDG was unable to fulfi the contract it had willingly intered into, and he would be talking to the resolver about the next steps. receiver about the next steps.
A legal notice as been served on the consortion by the LRB to complete these is by October

It seems unlikely that these talks will be productive, but the LRB intends to press ahead with the sals of County Hall, and a spokesman said yester-day that it was optimistic of

Time is not new on its side, however, and the state of the property market vill not help. With a general election now on the horizon and Labour pledged to return sime form of London government to County Hall, Mrs Thatcher will be more anxious than ever to see an early sale



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TV chiefs appeal for change in law on broadcasting

think again on three broadcastthink again on three broadcasting issues — impartiality, ownership of Independent Television News and arrangements for maintaining an ITV network, by Mr Richard Dunn, chief executive of Thames Television and chairman of the ITV Association.

"There are now great uncertainties about ITV's £60m news wervice, about ITV's £450m networks.

tainties about ITV's 200m news service, about ITV's 2450m net-working arrangements and about the statutory require-ments for impartiality across a wide range of its programmes, with very significant cost implications, let alone editorial ones", Mr Dunn told the FT conference in London. conference in London.

Mr Dunn warned that present proposals on impartiality, where balance would have to be achieved on every individ-ual issue, would not only have grammes but that "programme makers and broadcast professionals may decline to be part of such a regime".

The FIV executive also appealed to the House of Lords

which began examining the report stage of the Broadcast-ing Bill yesterday to reconsider the clause that forces a dis-posal of 51 per cent of Indepen-dent Television News shares. The government, he said, was putting at risk a stable and securely funded independent news service to compete with the BBC.

Mr Dunn also criticised the CONFERENCE

INVESTMENT **OPPORTUNITIES IN** BROADCASTING

Office of Fair Trading role in supervising the ITV network strangements.

If the OFT had a major role and market forces are to rip

"and market forces are to rip through the networking arrangements all bets are off and all bidders better go back to the drawing-board", he said. Lord Thomson of Monifieth, a former chairman of the Inde-pendent Broadcasting Author-ity, said the impartiality rules were being seen as the most fundamental threat to the qual-ity of current affairs broadcast-ing in this country and some ing in this country and some-thing that could lead to bland, thuid, safe broadcasting.

"They represent a surrender by the Home Office to pressure from a group of right-wing politicians whose declared concern about left-wing bias in broadcasting puts the problem in a false perspective", Lord Thomson said.

Mr. James Lee a director of

Mr James Lee, a director of the Boston Consulting Group, who chaired yesterdays's conference, declared that not only would television become a more European game but also a game played and won by the

hig players.
"Even the largest of the ITV companies will prove to be too small to compete in Europe in their existing form", Mr Lee

The ITV or Channel 3 companies as they will be known will need to change radically during the 1990s and find a new role. One possibility for them would be to run channels on

would be to un channels on the second orthird Astra satellite, the satellite system that broadcasts St Television.

Mr David famble, a senior director of the PA Consulting Group, said that most of the PTV companies could afford to pay out more han their current revenues in a cash bid over the 10-year amchise without having to brow money. Together, the I TTV companies could afford to pay a total of 23on over the period and still be a good neestment compared with other comporations. In general he highest bid would win, espite rules on quality, becaus no serious bid-

quality, becaus no serious bid-der was likelyto progress to a programme scedule of signifi-cantly differen quality to the existing ITV seedule.

Mr Bruce Firman, chairman

of Fireman Ree, a venture capital group, ad a veteran of the last franche round, pre-dicted that thee will not be much competitin for franchises this time. ational com-panies in relate industries such as music an film would wait until the frachise affair was over before taking their

venture capitalets would only come into the television sector if prospective manage-ments showed ral financial

Mr John Blackmre, head of media buying at advertising agency Ogilvy & lather, forecast that despite ts current economic problems the advertising industry andwagon would start to rol again. "I believe that on averge across this decade total ependiture on advertising will increase by an average of 9 per cent per annum," Mr Blackmre said.

This would mean£18bn a year by the year 200 - just over double the preset expen-

Gross income to the omnercial television companie from apart advertising woulk grow from just over £2.3hn next par to almost 25im by the eat of the decade. In the same pend gross radio advertising res-ms would rise from £158m o

 Representatives of a Britain's main television chai nels will today try to persuad peers to reject controversia new government rules on impartiality in broadcasting.

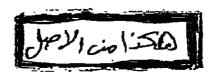
in a rare show of common opposition to the government proposals as currently drafted, the meeting will be addressed the meeting will be addressed by Mr Michael Grade, chief executive of Channel 4, Mr Richard Dunn, and Mr John Birt, deputy director-general of the BBC.

The lords are expected to reach the controversial amendment tomorrow during the report stage of the Broadcast-

ing Bill.
Broadcasters are complaining of proposals that will require the independent Televi-sion Commission, the body that will replace the IBA, to draw up a code defining "due impartiality" in terms of indi-vidual issues and specifying the prominence to be given to balancing programmes or

Ministers are already indicating a willingness to look again at the controversial

Channel 4 in a bristing paper for peers said that the wording on individual issues would result in nothing more than tit for tat television."



Wednesday October 10 1990



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ers and TOV Made are Septe Formation

After three years of liberalising economic and political reforms, Taiwan is facing an identity crisis -

external and internal. The

Taiwanese must shortly resolve their relations with China as well

as what kind of economy and society they want, says John Elliott

Choices must be made

ONE OF Asia's most vibrant economies of the 1980s is facing an identity crisis. Forty-one years after General Chiang Kai-Shek fled from China's Communist regime and founded the modern Talwan, this thriving island located 100 miles off the Chinese mainland has reached turning points on important political and eco-

nomic issues.

The direction that Taiwan takes during what is popularly known as a "period of transi-tion" will dictate its future identity and chances of contin-ned economic success, based on wide-ranging political and economic liberalisation policies started three years ago.

One issue at stake concerns

One issue at stake concerns
the ialand's relations with
Peking, which it does not officially recognise. Rapidly developing indirect business and
other ties, plus growing democracy in Taiwan, are building
up irresistible political pressures for relationships with
Peking in he clatified Peking to be clarified.

Of more immediate impor-tance is the economy of the island, which has made itself the world's 13th largest trading nation even though it is not internationally recognised as a sovereign state. Now its popu-lation of only 20m has to

Service Control of Service Contr

decide whether it wants to maintain Chinese traditions of hard work and entrepreneur-ship, or follow the other Chi-nese craze – gambling – and perpetuate a declining work

Economic growth is down to 4.5 per cent or less this year inflowing a stock market crash in recent months which brought the Taipei exchange index tumbling by 70 per cent. Vincent Siew, Minister for Economic Affairs, says that the country is in for a couple of "difficult years". That was before the government had had time to assess the likely damage caused by the Gulf crisis which is seriously worsening economic prospects. Bankers fear that there could be a spate of financial and industrial collapses if sharply rising petrol Economic growth is down to leases if sharply rising petrol prices and other effects of the Gulf bite hard on the economy. The days of reckoning have come after a period when we lived in an illusive state with

lack of proper monetary and fiscal policies. We are having a good hangover," says Douglas Hou, president of Far Eastern Textiles, one of Taiwan's largest companies.

We got lost for three years with structural growth that was not healthy because peo-



tion to his appointment, Hau is immensely popular, beating even the Taiwanese born Presi-dent Lee in the opinion polls

with an 88 per cent approval rating. He is bringing simple straightforward authority and

government to a people who have shown an inability during the past three years to cope

with the sudden rush of untold

freedoms and wealth.
"Premier Hau is certainly

the right man at the right time to re-instill discipline and val-ues," says Hau, echoing the general relief felt by the busi-ness community.

ness community.

But there is concern about how long the premier's popular homeymoon can last. His general law and order theme is widely welcomed, but he may eventually go too far because he basically believes in old values and the KMT's absolute right to rule — attitudes which are out of tune with the affluent Taiwan of the past few years.

Pulsare Identity and continued economic prosperity are at stake for Talwanese

ple went into the money game which undermined their atti-tudes to work," says Siew. "Now people are applying again for jobs and we have put our car back on the right

from Taiwan's huge economic success. It has had a growth rate averaging 9 per cent for nearly 30 years and has accu-mulated foreign exchange reserves topping U5\$74bn at their peek.

This generated huge amounts of money for gambling on Taipei's casino-style stock exchange. The ability to make quick fortunes seriously demand the traditional most damaged the traditional work ethic and, along with other fac-tors, has deterred industrial Law and order deteriorated during this period and the gov-ernment failed to respond

effectively with authority to a wide range of social and eco-nomic issues. These events exposed the

on a minimum of build Chinese culture, plus the influence of Japan, which ruled from 1895 to 1945, and the US, which sub-sequently had close links. This mix has not provided the estab-lished traditions and self-confidence needed to enable the island to survive through difficult times.

The current situation would be far worse if it were not for a new tough prime minister who was appointed in May by Presi-dent Lee Teng-Hui. He is Hau Pei-Taun, a 71-year-old mainlander, who became defence minister last year, having been a four star general for many years, chief of the general staff, and a feared power behind the throne of the Kuomintang

Hau has brought to Taiwan's political leadership some of the administrative authority and effectiveness of a military regime. Such segeness of troch had been lacking since martial democracy introduced three

Complicating these economic and accisi immer is the uncurtainty caused by Taiwan's tor-

tuous relationship with

Officially, Taiwan's KMT government still claims to be the rightful government of all China. Peking on the other hand regards Taiwan as a

hand regards Taiwan as a recalcitrant province which must one day return fully to Chinese sovereignty, preferably around the time that the British and Portugese territories of Hong Kong and Macao return in 1997 and 1998.

But there is enormous pressure within Taiwan for the relationship to be clarified quickly so that growing business links, which at present are formally conducted on an indirect basis, can be carried out directly. This has become one of the most talked about issues in Taiwan as the misuad searches for an identity to give searches for an identity to give it security.

of Taiwan playing a major role in the development of China's coastal regions, similar to that played in the south by Hong Kong. But the KMT still dreams of reuniting Taiwan mist China - a development which is unlikely to come shout in the short time scales of businessmen's corporate

However, the KMT government is responding to the business and other pressures with new laws and by softening its new laws and by soluting as sience. It is now promoting as idea of "one country, two regions" with "two separate legal jurisdictions". This would give Taiwan more autonomy and identity then Hone Kone and identity than Hong Kong and Macao are to have under their one country, two systems when they return to China's control.

Semi-official contacts with Peking are increasing and Ma Ying-lean executive secretary of a government committee handling mainland policy, says the president wants to "achieve national unity on moves towards reunification". Ma also acknowledges that Ma also acknowledges that there is a "more relaxed approach" being adopted towards the KMT's "three noes" policy which bens contacts, negotiations and compromise with Peking.

However, Peking has failed to respond constructively to these nervous olive branches.

these nervous clive branches. Its tactic seems to be to air back and wait for Taiwan to be pushed by its own internal pressures into making more and more concessions.

in more concessions.

It also seems to suspect that there is still a significant body of opinion in Taiwan which wants to formalise the island's de facto independence and break away for ever. There is, however, little, evidence, of however, little evidence of Taiwan's vocal but small inde-pendence movement gaining ground — though it could do so later if the government falls to solve the island a fundamen-

tal identity problems.

The stand-off between Peking and Taipei is bedevilling Taiwan's attempts to gain international diplomatic recognition. nition. Last year it generated a lot of publicity when it gained full recognition from small countries such as Granada. But Peking has hit back by gradually wooing three of Taiwan's most significant international allies — Saudi Arabia, South Korea and Singapore, Behind all this is growing rivalry between the old Tai-

wanese, who were already on

IN THIS SURVEY

The economy: Government measures to revive the Politics: Taiwan's constitu-

tional legacy China: Policy towards Foreign policy Profile: The minister for

economic affairs3 Trade: Changing nature of

the export machine Industry profile: Textiles' period of enforced adjust-

Investment abroad: A way of beating protectionist

quotes and of buying time Stock market: The market Index has fallen by 70 per cent since February Banking and finance: "We would like to be one of the financial centres of Asia" finance minister5

KEY FACTS/MAP2 Related surveys4

the island before Chiang Kai-Shek arrived with between 1.5m and 2m followers in 1919, and the mainlanders who came

The majority Taiwanese have been gaining in influence and power, especially since President Lee took office early in 1988, and there are power

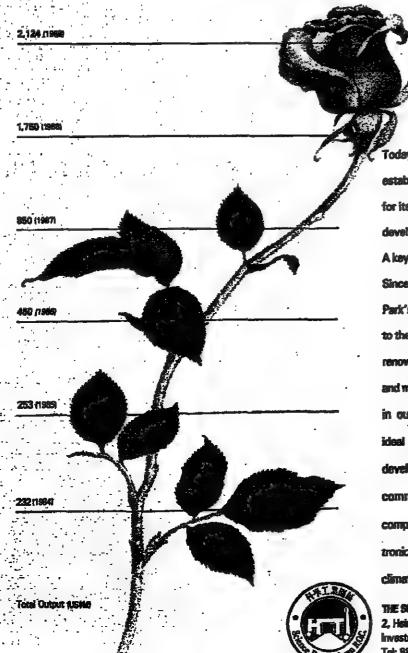
in 1988, and there are power struggles within the ruling Kuomintang between these paople and both first and second generation mainlanders.

These power struggles emerged in public just before President Lee was elected in June. At that time Hau, then the Defence Minister, lined up the Defence Minister, lined up with an anti-Lee faction. But

with an anti-Lee faction. But the president responded defity to these challenges after his election by making Hau the prime minister.

This assuaged some of the old mainland feeling and pro-vided the government with its new law and order theme. The move has bought the govern-ment time — but the basic questions about the future of questions about the future of the economy and relations with China need to be resolved.

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THE GRANDE COLLECTION OF HOTELS

TAIWAN'S Legislative Yuan, the country's parliament received a security-minded face-lift when it reopened for its 86th session last month. It has been the scene of violent demonstrations in the past

couple of years.
Portable unicrophones, often used as weapons by angry leg-islators, were removed. Bullet proof screens were erected on the edge of a public balcony, which had often been used as a platform by protestors. Entrances for press, public and members were segregated and equipped with electronic

It was all in tune with the law and order image of Hau Pei-Tsun, the new prime minis-ter. But it failed: the basically unsettled and turbulent nature of Taiwan politics burst to the surface on the opening day. Members of the main opposition party, the Democratic Progressive Party, demonstrated noisily before walking out after one of them had squirted water at the elderly Speaker, Liang Su-Yung, a senior member of the ruling Kuomintang (KMT)

party.
"The DPP members are doing something fatal to their own party because their action won't be accepted by the pub-lic," says Llang, voicing estab-lishment hopes that the demonstrations would subside and allow parliamentary business to proceed. Only two or three bills were passed in the last session and there are now 300 waiting to be processed, including about 50 urgent measures dealing with issues such as labour laws, financial markets and pollution control.

But, as the DPP members know, the real political future of Taiwan is not being fought out in the rowdy and unruly parliamentary chamber, but among the members of the KMT. The party has split dur-ing the past year into increas-ingly complex factions.

The primary issue at stake is how far and fast Taiwan should move on constitutional reform and how this links in with the KMT's constitutional insistence that it has continued to be the legitimate gov-ernment of all China since modern Taiwan as formed in

"We want to move ahead on democratic reforms, but we also want to maintain the legitimate status of representing the whole of China," says James Chu, the KMT spokes-man. Chu acknowledges that people who want to slow down democratic reforms can play this China card to block prog-



Hau Pei-Tsum law and order Image

POLITICS

Future held up by the past

President Lee Teng-Hui, who is believed to favour substan-tial democratic reforms in principle, has himself said that Taiwan's long-term stance towards China could be affected. He has to be particu-larly careful because, unlike the old-guard KMT leaders from the mainland, he was born in Taiwan and is rumoured in both Taipel and Peking to have indicated past interest in Taiwan indepen-

The problem stems from Taiwan's current constitution, which maintains the fiction that the government has all-China status. About half the Legislative Yuan's 252 members were elected on the mainland before 1949, and the National Assembly, which elects the president, is domi-nated by old mainland mem-

This is flushing out perhaps the most important long-term battle of all – the future power within the KMT between, on the one hand, the mainlanders and their offspring and, on the other, the native Talwanese. Although both groups are eth-nic Chinese, the looming split between them has some of the hallmarks of clashes seen else-where in Asia between different ethnic groups and could

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turers are discovering new markets, and the government is encouraging

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cause wider social tensions

Within the KMT, the president represents the Taiwanese while Hau, the prime minister, is one of the mainland elders. Hau was chosen by the presi-dent because of his background to placate the main-landers during the period of democratic reform. There have not so far been open clashes between the two men, both of whom need each other, but problems could develop. There are four main areas of democratic reform under discussion:

The first, which until recently was the most explo-

aive, involves the retirement of the pre-1949 mainland-elected elders of whom about 120 are now left in the Legislative Yuan and a much larger total of at least 600-plus in the National Assembly. Their exis-tence has drastically reduced the effectiveness of Taiwanelected members, especially the DPP.

The supreme court has decreed that all the elders must retire by the end of next year and they have reluctantly agreed to do so. The DPP wants them to go this year, but this is not a live political issue. The most emotive issue now is how the president should be elected. President Lee's current term ends in 1995 and he has said that the elec-tion should be by the Taiwanese people. But he has shied away from meeting DPP demands that this should involve a popular vote because that would exclude any pretence of covering mainland

Some form of indirect poll therefore seems inevitable. It is likely to be through an electoral college, possibly the National Assembly which, when shorn of its elders, would be dominated by people repre senting Taiwan constituencies But to continue the all-China theme, some special category of general members is likely to be invented. Liang favours a new category of people drawn from those who left China in 1949 with the elders. This would help to maintain the would help to maintain the influence of both first and second generation mainlanders.

 Also planned is the election of the governor of Taiwan and the mayors of the two leading cities, Taipei and Kaohsiung. This is likely to be by popular vote since it does

by popular vote since it does not carry China connotations.

These developments follow a national conference called by the president for the end of June. A reform committee, packed with KMT members and excluding the DPP, has been set up to put forward proposals for reform some time next year.

next year.

Meanwhile the two main political parties are embroiled in their own internal splits. While the all-powerful KMT is basically divided between mainlander families and Taiwanese, one outspoken leader of the DPP, Gau Jeng Ju, has broken away and says he will form a China Social Demo-

cratic Party.
"We need a party which develops real public policies instead of just concentrating on issues like independence and reunification with China," he says. "The DPP has no strength beyond the fact that the KMT is corrent." the KMT is corrupt. People support the DFP only because the KMT is not good."

ECONOMY: Peter Wickenden

Back to hard reality

FOR THE 4m people who played the stock market or put their money into unlicensed banks, the past year has been a premature flirtation with riches. For the economy, it has been a damaging diversion from the road toward maturity.

Few seemed aware, as they swapped their mopeds for BMWs, that the resulting lavish boom in domestic consumer spending was propping up an economy that has been fundamentally weak for at

least a year.
Taiwan's trade surplus is expected to plunge by about 30 per cent to \$80n by the end of the year. Manufacturing output in the first half was down by three per cent on last year, productivity rose just over 6 per cent, but wages were up 14 per cent.
Before the effect of oil price

rises filtered through, the con-sumer price index in August was already up 5.63 per cent year on year.

However, the government is positive in its resignation to a slowdown that has been creeping up for two or three years and which may last that long again. The cabinet has revised its GNP growth forecast for this year to 5.2 per cent (lowest in eight years), and this does not take oil price hikes into account. Vincent Siew, the economics minister, thinks the figure may be closer to four per

With hindsight, the root of the trouble can be traced back to the middle of 1988 when the Central Bank finally stopped direct manipulation of the Taiwan/US dollar exchange rate. This meant it could no longer keep Taiwan's exports artificially cheap in the face of a worsening labour shortage and rocketing wages. Industry mouned as the NT dollar appreciated enother 10 per cent care. clated another 10 per cent over the next 12 months to December 1989, making a cumulative

they reduced their large profit margins and paid a little more attention to productivity. And orders that had moved from Taiwan to China and South Korea switched back again when instability erupted in those countries last year.

Many companies got a new lease of life and put off investment in automation and pro-duction of higher quality goods. Export-generated fordgn exchange (and a good deal of hot money) continued to pour in to Taiwan.

As early as last spring, the government took fright at money supply growth figures

The social rot has. been largely stopped

and started an anti-inflationary credit squeeze that is only being eased now that the econ-omy is faltering.

The government was obvi-

ously not expecting the stock market to collapse so com-pletely because of its measures to cool speculation. For, in spite of the fact that the export growth rate had been falling steadily, in January this year the government was still confidently predicting GNP growth at 7 per cent.

That growth was supposed to be driven by spending on 14 large infrastructure projects and rising domestic consumer demand. Noting accelerating capital outflow, private analysts were soon saying six per cant or lower. By August, capi-tal outflow had hit \$9hn, top-ping last year's total of of \$8.2bn.

The central bank predicted a current account deficit of about \$1bm by the end of the year, the first deficit in ten

ECONOMY

Total GDP (USSbr

Exports (US\$bn)

% change pa).

Real GDP growth (%).

KEY FACTS

50 per cent rise over three years. Foreign exchange reserves fell this year from \$73.60m in January to \$65.94m by the end of July.

Perhaps the government was also loath to admit that in Taiwan a stock market crash could bring on a slump, whereas in most other economies it could only be the other way around. But, as Siew now acknowledges, at least 25 per cent of last year's 7 per cent GNP growth was due entirely to what he calls speculative

Labour intensive industries have moved en masse to China and other Asian nations rather than stay here and upgrade. It is a typically short-term solu-tion adopted by small Taiwan-ese businessmen out for short-term gains. But even large companies with long term plans lost faith in the domestic investment cli-mate as land prices shot up.

mate as land prices snot up, crime and environmental protests increased, and the ruling Knomintang party became preoccupied with internal strife.

Despondency spread to the ranks of senior government officials such as former Vice Economics Minister Wang Chien-Shiel (now Finance Minister), who in the spring. ister) who in the spring resigned in disgust at wide-spread lack of respect for the

With Hau Pei-Tsun, a former four-star general heading the cabinet, business confidence is

tablish what the social rot has been largely stopped.

With a wary eye on inflation figures in the wake of the Gulf crisis, the government is now adopting a cautious expansion-ary policy. For the first time in eight years the central bank reduced bank reserve require-ments under heavy pressure from loan-starved industry. in August NT\$300bn of post

office reserves were released to local banks, and the cabinet also approved direct loans

President Lee Teng-Hui New Taiwan dollar

1988 US\$1 = NT\$28.56

1989 US\$1 = NT\$26.41

.20,11 million (Feb 1990 es

122.3

7.8

10.2

60.6 10.9

38.7 14.5 9.2

29.9 26.2

1.5

36,000 ag km

148.6

7.4

11.4

13.9

50.7 23.0

1.1

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73,2

totalling NT\$42.5bn to small companies. In addition, indus-trial-zoned land is to be sold at a discount and new tax incentives will be made available to encourage research and devel-

A drop in property prices this year has also improved the prospects for getting the infa-structure projects started or back on schedule. These include Taipei's mass rapid transit system, a second north-south freeway, and a fifth nap-tha-cracking plant for the state run Chinese Petroleum Cop. After three years of wranging with local residents, the cracker project was finally started in late September.

Some analysts do not share

Taiwan depends on manufactured exports

the government's hopes that these projects will give the economy a shot in the arm. Delays will continue because of to the shortage of labour, and there will be a long wait before there is any effect on domestic demand, says Wang Su-Wang of the Chung Hwa Institution for Economic Research, the government's economic think ank. The commencement of

tank. The commencement of the naptha-cracker may be of psychological benefit at best. Wang is also sceptical about the effect of credit-loosening measures. According to the Institute's latest industry surrestrine's latest industry survey, tightily-regulated state-run commercial banks now have more liquidity but are not willing to lend to alling companies. More than a third of the com-panies listed on the Taiwan stock exchange are now said to be in financial difficulty. Siew is optimistic for the

long term. He is content to sit through one to two years of low growth while industry restrictures with government assistance. At present, he says, high-quality, high technology products account for about 55 per cent of total exports, and the proportion is rising.
In the wake of the stock mar-

Companies will have to merge to survive

ket crash, the service sector, which now accounts for much than half of GNP, has proved vulnerable. With a small domestic market, Talwan still depends on manufactured exports and the question remains whether the smallscale nature of 90 per cent of

the future.
Vice Economics Minister P.K. Chiang says that small-scale means flexibility, and that this has enabled industry to weather previous storms. In the past industry has moved nimbly from one low-tech prodact to another.

But that may no longer be be so easy in the capital-intensive high technology environments that the government wants to create. Prof Wu Rong-Yi agrees that companies will have to overcome their reluctance to merge if they are to survive.

If they can, and if foreign industry continues to put in vital technology and direct investment, Taiwan will still emerge with a formidable mod-ern industrial economy.

CHINA Land over

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THE PRESIDENTIAL office spokesman Cheyne Chiu won-dered aloud at a recent press conference whether Taiwan's policy towards China wasn't in a muddle. Other countries pon-dering their relations with the two, foreign businesses considering investments and, of course, the Taiwanese them-selves, could also be forgiven

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for confusion when they review developments this year. At his inauguration in May Provident Lee Teng-Rul said that the "rebeis" who have run China for four decades would be recognised within one year as a government, but still an "illegal" one. He also said that Taiwan's government would be willing, under certain condi-tions, to talk to Paking about reuniting Taiwan with the Chi-

This was radical stuff in This was radical stuff in Taiwan, but that statement was just the start. Taiwan next proposed a quasi-governmental intermediary body to solve civil and trade disputes, with each side having offices on the other's patch. The People's Republic's response was guard-Talwan deper Republic's response was guard-

edly positive.
Mesnwhile, the Economics and Justice Ministries made proposals for starting direct trade and investment across the strait. Restrictions on vis-its to China by Taiwan resi-dents were relaxed and the China ware relaxed and the Chinese press was allowed to cover news on the island. It seemed the government had caught the Taiwan peo-ple's "mainland fever." But

"WE WOULD like to see the economy back to normal so that the Chinese people's tradi-tion of hard work can be restored," says Vincent Siew, Taiwan's new minister for eco-

nomic affairs. Siew has taken on responsibility for Taiwan's economy at to the view held by the government, many academics and some businessmen that Taiwan must go through its current downturn in order to shake off the money-making mania of recent years when casino-style gambling on the stock market replaced the work ethic. I don't think the situation is.

Court of the so had. We have been at a cross roads and now we are turning into a very healthy development because in the Rud quality, by R क्षा स्थान संबद्ध past three years we have had what was really unhealthy growth with the money game and now we are trying to turn things outo the right track." Nearly 25 per cent of economic growth came from stock market activities, he says dis-

CHINA: Peter Wickenden

tute of Economic Research.

In the past three years at least 1,000 Taiwanese compa-nies have set up production

lines in China or moved there

wholesale. They have poured at least \$1.2bn into the coun-

try. But the debate over direct trade and transport investment only really started when Y.C.

Wang, chairman of Taiwan's

largest conglomerate, the For-mosa Plastics Group, joined in

early this year. FPG's main product is ethylene, and as

more than half its enstoners making cheep plastic objects have gone to the mainland, Wang wants to follow.

Other large companies such as Wei Chuan and President

ing food processors, Tunier, a construction and textiles

group, and several of Taiwan's

ten anto makers have tentative

plans to invest in China. They

are applying great pressure on the government.

terprises, Taiwan's two lead-

Ties are stronger

then Saudi Arabia's sudden switch of diplomatic ties from Taipei to Peking in July threw all into doubt. Singapore and Indonesia, long unpriicial allies of Taiwan, also moved to mend their ties with Peking.

Officials blamed these setbacks on the international confusion caused by Taiwan's rapid softening toward China. Calls were made for a six-month freeze, since China had not responded amicably to Tainer's initiatives. Within weeks, however, President Lee was over-riding the policy-mak-ing power of the cabinet's mainland affairs committee by forming a new top-level National Unification Commission, with himself as head.

Then, as the Taiwan team prepared to leave for the Caling A size many the first than the call of the call

Peking Asian games, the draft of a law governing relations across the strait was finished after two years of debate and huge revisions. To the surprise of many, it does not provide for direct trade, investment or direct trade, investment or transportation.
To make sense of all this,

one must separate the politi-cians' rhetoric from their reasoming, and look at the problem from four angles.

Most simplistic in their argu-

How long the government can resist is uncertain. At the ments for rapid opening up to China are the bosses of Taiwan's 90,000 factories. "To moment the large foreign com-panies upon which Taiwan's them the mainland is the nearest source of affordable labour depends for the technology to upgrade its own industry are getting conflicting signals. While John Ni in the Ecoand raw materials, in some cases another export market too, says Professor Wu Rong-Yl of the Taiwan Insti-

nomics Ministry's Industrial Development and Investment Centre promotes Teiwan as potentially "a good base for the China market", Ma Ying-Jeou of the cabinet's mainland affairs committee says: We have no intention to go beyond indirect trade and investm Some of Taiwan's businessmen are not sophisticated enough in mainland affairs."

Peking says it will take Taiwan back by force if necessary. It proposes a "one country, two systems" model like the one which will apply to Hong Kong, but ostensibly more liberal. Taiwan's draft mainland

relations law is based on a "one country, two areas" for-mula. Under this, each govern-ment would maintain its existing jurisdiction but would recognise the other's laws when it came to solving civil disputes. But we have not retreated from our earlier posi-tion that we are the cole legiti-



President Lee Teng-flui

mate government of China,"

The third angle for scruting is the world of politics. No right-minded politician in Taiwan wants unification with a communist-controlled meta-land. But the issue is being used in the struggle for control of Taiwan between ageing mainland Chinese and the Tai-wanese. "The KMT mainland-ers accuse President Lee [who ers accuse Francent Lee two is Taiwanese] of supporting Taiwan independence, and argue for a slowdown in democratisation," says a politi-cal analyst at National Ching-

Hsing University.

Many analysts assume that
President Lee formed his
National Unification Committee in a desperate hid to please
both the KMT old guard in
Tainel and the Community in Taipei and the Communists in Peking. The DPP suspects that the KMT would sooner make a secret deal with the Commu-

1

nist Party under which it would stay in power than see complete local democracy under another party's rule: both the KMT and the Communists fear that if the Taiwanese could rule this island, they would opt for forming an independent country.

The fourth factor is thus the

people, and they are the most unknown quantity. Every opin-ion poll concludes that the vast majority approve of unity with a democratised China. But some analysts insist that the questioning is blased, that KMT ideology pervades educa-tion, and that even now people dare not express their real

views (advocating independence remains illegal.) Predictions are hazardous, but several things seems inevi-table. Big business will get its way and direct trade, if not direct large-scale investments, will happen sooner or later.

The advantages to both economies are too great to miss.

"Mainland fever" will contimue to rage, and private con-tacts will flourish.

tacts will fourish.

The Taiwan government is being practical in realising that this necessitates forming an arbitration and mediation body. But this would soon prove inadequate, and direct, open negotiations would have to start. In Taipei's case it would mean renouncing its cleim to be the sole legitimete. claim to be the sole legitimate government, and in Peking's case it would mean admitting that Taiwan's capitalist mode has come out on top.

> they must take into account that pollution control has to be included in their projects. On the other hand, I would advise environmentalists that they must have patience and cannot expect to all the air to be clean overnight - it takes time." He lists as his aims:

> To stimulate investment confidence, which means I must try to remove all investment barriers:

 To have more money spent and more attention paid to technology research, and to speed up our upgrading of industries;

• To achieve active pertici-pation in international economic activities so we can pro-mote investment and trade relations with foreign countries.
To restore economic order

and discipline so that anything that is not healthy or not contributing to our economic order will be regulated. We are trying hard to liberalise our economy, but law and order is also important.

FOREIGN POLICY

Stalled on sovereignty

TAIWAN'S FOREIGN relations have taken three serious blows this year that make the basis of its foreign policy look more non-sensical and ill-conceived then ever.

Sandi Arabia, Taiwan's only middle-east ally and one of three significant countries still with embassies here, switched diplomatic relations to Peking in July. It was sudden, but not surprising. The Saudis needed arms from China, not money, which is all Talwan can offer.

Indonesia and Singapore then announced their intentions to establish ties with Peking. They did not have dip-lomatic relations with Taiwan, but had maintained unusually close unofficial relations. That leaves only 27 countries recog-nising Taipel, of which all are international political nobodies, spart from South Africa and South Korea,

Secul has now established ties with the Soviet Union and analysts say it will almost cer-tainly forsake Taipel for Peking in the next two years. It ominously ceased recently to refer to Taiwan by its official

name. The self-styled Republic of China on Taiwan is determined to pursue independent foreign relations as a sovereign nation. Only if Peking stops trying to obstruct this policy will Taipei consider direct talks about reunification of Taiwan and mainland China.

mainiann Chma.

This policy might sound contradictory and unworkable unless one knows the peculiar assumption on which it was made. The government in Taipel still insists that there is an an are that a contract that it is only one China and that it is the sole legitimate authority. For proof, says vice foreign minister John Chang, read the BOC constitution. To Taipel's way of thinking, therefore, it is neither espousing independence for Taiwan, nor a Two Chinas policy as Peking main-tains. These accurations are

totally groundless and unac-ceptable to us," says Chang. Whatever Taiwan's own views on the sovereignty issue, it is clear that ever more govsafety in sharing them. The foreign ministry admits that even those countries that have

recently switched recognition back to Taipel are asked only for recognition per se. They are not asked to pay lip service to the sovereignty claim.

Morrover, all these countries

are small, developing and badly in need of Taiwan's cash. Were Taiwan not sitting on \$65bn in foreign exchange reserves, there would be no iogical reason for any of them to risk Peking's wrath.

Political analysts, and more than a few legislators, say that Taiwan's "pragmatic" or "flexibie" foreign policy will not work while it continues with the sovereignty claim, and will only continue until no more countries can be tempted by development aid.

Chang also agrees that other

countries are confused by all the unification debate, and Taiwan's rapid moves to lessen tension across the strait by allowing increased people-topeople contact. But he does not see unification happening for perhaps another 20 years.

Citing the experience of the two Germanys, Chang says that a condition for unification is trust between the peoples and not just the govern He glosses over the indignance caused by Taipei's sovereignty claim, saying that trust is impossible while Peking continues successfully to isolate Talwan internationally and refuses to let it pursue its own foreign affairs.

The sovereignty claim looks more and more like an obses-sive milistone round Taiwan's neck. Its substantive relations around the world are friendly

and improving.
But the rules of diplomacy can only be bent to a degree. can only be bont to a degree. Triwan is preparing to recognise the existence of the Peking government next year for the sake of introducing local democracy. When it will go one step further and drop the sovereignty claim is uncertain. Cynics believe it will happen only when Taiwan runs pen only when Taiwan runs out of cash.

However, to do it when the island is rich, democratising and opening up to the world would only earn it internamorranional foroity

Peter Wickender

PROFILE by Peter Elliott

Call for hard work

approvingly. "Now working attitudes are improving and people are applying for jobs.
"Of course, you have to suf-fer low growth or maybe some times negative growth for one or two years before you can adjust all structures in the

right way."
Slew has considerable experience after 27 years in govern-ment service. This was mainly in trade and economic posts and included becoming director general of the Board of Foreign Trade in 1982 when there was negative growth. He comes from a Taiw farming family and is one of the few ruling party politicians who can mix and talk easily

with two of Taiwan's economic problems, the work ethic and environmental issues. He is now in the process of

djusting government foreca for this year's growth, initially from 7 per cent to 5.2 per cent and now down to 4.5 per cent. Rapidly rising oil prices may push this figure down further. "Next year will also be very difficult for us," says Siew. "But after one-and-half or two years of adjustment we predict that the whole situation will be

The figure for next year could perhaps be even lower-than 45 per cent, but should "not be negative" because of large and long-delayed government and other infrastructure with the people. This gives him an advantage when dealing

Siew's reputation for mixing easily was enhanced recently when he helped to end years of environmental protests over a planned hig naptha-cracking project at China Petroleum's refinery in Kaohsiung.

Siew says the company has a "moral responsibility to have a good neighbour policy." He says that environmental lobbyists in general, who have become increasingly influential are being "construction" is tial, are being "constructive" if they make a reasonable appeal and push the government to pay more attention to environmental protection." But a purely negative environmen-tal approach was harmful to economic growth, as Taiwan

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to appear. So I do not have any sympathy with our industries." It is not fair just to complain about environmentalists, he You cannot just view this

"That is why, on the one hand, I remind industries that

from one angle," says Siew. If you look back, not too many industries spent money on environmental protection or pollution control until environ-



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TRADE: John Ridding

Change of direction

dynamic even by the standards of East Asia's fast growing economies, has lost much of its

in the first half of 1990. exports recorded their first contraction since the early 1980s, falling by 0.8 per cent to \$31.9bn. Officials at the Board of Foreign Trade expect meagre, if any, improvement for the year as a whole.

The reason for this downturn lies largely in a reversal of the factors which prompted Taiwan's dramatic export per-formance in the latter half of the 1980s. The NT dollar, which was undervalued in 1986, has appreciated by about 40 per cent since then, while wage rates have seen similar

The consequent loss of competitiveness has been exacerbated by the emergence of new, low cost exporters in South-east Asia, which are suc-cessfully exploiting the strategies previously employed by Taiwan, South Korea and Hong Kong.

As a result, Taiwanese man-ufacturers find themselves sandwiched between cheaper producers among the Asean nations and the market leaders in Japan, Europe and the US. In spite of the current slowdown, Taiwanese officials are relatively sanguine. "It is not a very good performance," admits Chiang Pin-Kung, the vice minister for economic affairs, "but Taiwan is under-going a period of transition." He argues that current trends reflect necessary adjustments in the structure of the island's

maturing economy.

One of these adjustments is a lesser role for the country's export machine. "We want to reduce our reliance on trade." says Chiang. "We have to develop our domestic market through consumption and

Shen Ke-Sheng, director general of the board of foreign trade concurs. "It is natural to see some slowdown in export growth. We can't expect to keep expanding shipments by 20 per cent a year." At the same time, export industries are moving towards more capital-intensive, higher value added production and away from traditional labour intensive goods. Whereas shipments of textiles, footwear and apparel have fallen this year, exports of machine tools and For many of Taiwan's com-

Machinery, electrical equipment.

Footwear, headgear, umbrellas ... Plastic and rubber, plastic and

Basic metals and articles

Animals and animal products.

Precision instruments, clocks, watches 1.66

Source for both tables: Board of Foreign Trade, Mintery of Economic Alleira

transport equipment ...

panies, however, particularly the small and medium manufacturers which dominate the industrial structure, such diustments will be difficult.

They lack the capital to invest in automation and research and development and have often seen the best solution to the more difficult export environment as transferring production to lower cost countries.

While the more difficult environment is presenting Taiwanese exporters with tricky adjustments, it has also con-tributed to a marked lessening

One adjustment is a lesser role for the island's export machine

of trade tensions with the US, Taiwan's largest trading part-ner, which accounts for one-third of all shipments from the

Taiwanese and US officials express satisfaction at the reduction in the bilateral trade imbalance which has seen Taiwan's trade surplus with the US shrink from an enor-mous \$16bn in 1987 to \$12bn ast year and a forecast level of less than \$10bm this year.

There is some disagreeme about precise figures. According to US department of commerce statistics, which identify US imports by value added and country of origin criteria, the reduction in the deficit is less than that shown by Tatwanese data which use a definition based on the final point of

shipping.
Consequently, while Taiwan forecasts a fall in the trade surplus of more than 20 per cent for 1990, the US estimates a more modest 13 per cent

In spite of the discrepancy, which seems to reflect the increase in Talwanese assurbly operations in lower cost production bases in the region, US officials are pleased with the progress made since the late 1980s. "Of course, there are some contentious issues remaining, such as intellectual property rights," says one offi-cial, "but the general situation has seen a great deal of

The declining share of exports going to the US reflects the Taiwanese government's palicy of distrations exports.

1929 export % of total

7.8

_10.33

TOP TEN EXPORT ITEMS

and reducing dependence on American consumers. Exports to the EC have increased steadily, from \$3.2bn in 1986 to about \$8.4bn last year.

Trade with Asean nations has also grown sharply and the region as a whole now repre-sents Taiwan's largest trade surplus. The last few years have also seen strong growth in trade with mainland China Total hilsteral trade, according to Hong Kong statistics, amounted to \$3.4hn last year as Taiwan exported manufactured products ranging from synimported resources and raw

But the pace of trade expansion is now beginning to slow. There are constraints of hard currency and import restric-tions," argues Sheu, who expects only slight growth in two-way trade this year. More generally, he believes that the potential of the Chinese mar-het should be seen not in terms of its geographical size and population, but in terms of its purchasing power and marke

While export diversification has made progress, there are more worrying trends in the pattern of imports. In particular, the continued increase in imports from Japan, combined with only modest growth in exports, has prompted a sharp increase in the hilateral trade mhalance.

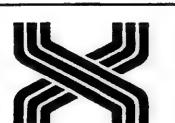
Taiwan's trade deficit with Japan has climbed from \$3.7bn in 1986 to \$6.9bn last year and is forecast to reach about \$8bn this year. This is a cause much concern to us," says Chiang. He advocates a policy of import substitution, through direct investment by Japanese component manufacturers rather than through trade restrictions, as a means of resolving the problem.

Part of the difficulty is that Taiwan carries relatively little clout in bilateral trade negotiations. "We asked Japan to abolish quotes on leather goods for six years without success," says Chiang. "But the US got them to drop them in just one

Political considerations of a different nature are obstructing another of Taiwan's trade tives - membership of

Taiwan submitted its applisation to join the trade organi-sation at the beginning of the year, but the reluctance of must countries to risk offend-ing. China, which is seeking. GATT membership before world's thirteenth largest trad-ing nation will continue to be excluded from the most impor-

Crace Issues.	
EXPORT	MARKETS
Country	% of total exports
US	96.2
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Europe	16.5
Japan	13.7
Ocuania	2.8
Middle East	2.2
Africa	1.9
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TEXTILES

Competition, protection and readjustment

"A TEXTILE depression" is the verdict of Mr Phillip Chen, sec-retary general of the Taiwan Textile Federation, on the performance of the sector.

There is some justification for his gloom. Exports have fallen in value from NT\$301.48bn in 1987 to NT\$272.77m in 1989 and their share of overall exports has fallen from 20.4 per cent in 1965 to 15.6 per cent last year. Employment has also declined, from nearly 200,000 in 1985 to less than 170,000 today.

There is no lack of explana-tions for the decline, and many of the factors reflect the general problems facing Taiwan's traditional labour intensive industries as the economy

The Talwanese currency has appreciated by over 40 per cent since 1986, when the US applied measure on Taiwan to correct the ballooning trade imbalance between the two countries. The currencies of South Korea and Hong Kong, Taiwan's principal rivals in the textiles industry, have risen by much less, and although the NT dollar has weakened by

Penetration of traditional markets is becoming more difficult

about five per cent this year, so has the Korean won. Labour costs have risen tharply, with average monthly earnings in the sector rising from NT\$12,340 in 1985 to NT\$18.585 by the end of 1999. Moreover, claims Chen, the industry has suffered from a shortage of labour as workers have been attracted to specula-tion in the stock market and a ife of professional investment. lition from lower cost regional producers, such as Malaysia, Thailand and Indon-esia has increased.

Penetration of traditional markets is becoming more difficult, partly because of increased protectionism. Chen cities the recent case of a US anti-dumping action against imports of man-made fibre aweaters. Under the action, Taiwanese producers have been charged duties in sxcess of 20 per cent, far higher than those levied on Korean and Hong Kong manufacturers. protectionist weapon," says Chen, who argues that just the announcement of an investigation has a substantial impact

on Taiwanese exporters.
In spite of these difficulties it is misleading to see textiles as a Taiwanese sunset industry.
As with other labour intensive sectors, the current slowdown is more a reflection of a period of adjustment as manufacturers upgrade plant and equip-ment to cope with the new economic environment.

"We are in a very important transition stage," argues Mr Douglas Hsu, president of Far Rastern Textiles, Taiwan's largest textiles group. He com-pares the situation to that which faced Italy in the 1970s. They had all the problems we are now facing, and they emerged much stronger from their restructuring."

Among the more important adjustments facing Taiwan's companies are the automation of production and other measures to promote productivity gains, a move towards higher quality, higher value added

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production, development of independent brand names and diversification of products and

Some progress is being made. Far Rastern Textiles has cut labour costs to 15 per cent of total manufacturing costs through a programme of staff reductions and automation and is diversifying production into

The industry has suffered from labour shortages and rising costs

hi-tech plastic products. Similar efficiency gains have also been achieved by the other large textiles producers. Progress is also being made

in the diversification of mar-kets. Whereas the US accounted for 38.6 per cent of total exports in 1985, it now accounts for about 28 per cent By contrast, exports to Hong Kong and other non-restricted markets have grown both in value and as a proportion of the total. According to indus-try analysts, however, there has been less improvement in research and development. Out of a total of NT\$26.1bm spent on R&D in 1988, only 0.65 per cent was accounted for by the textiles sector. In 1990, only 0.29 per cent of the govern-ment's NT\$6.6m R&D budget will go to textiles.

The necessary adjustments are still more difficult for the large number of small companies which characterise the industry and for companies mainly involved in down-

tresm activities.

Manufacturers of apparel and small spinning companies, for example, have been more adversely affected by the deterorating export environmen than producers of fibres. "The spinning side has seen a drastic reduction," says Hsu. "Inde-pendent small weavers are definitely out."

The more difficult environment facing apparel producers reflects both the relatively labour intensive nature of pro-

Smaller companies lack the capital required to invest in new machinery

duction and the predominance of small companies which lack the capital to invest in new machinery and to automate production.

Their response has often been to relocate to cheaper pro-duction bases in South East Asia and China. Taiwanese textiles producers are now a com-mon sight in Malaysia, Indon-esia and Thailand as they take advantage of cheaper labour and export quotas permitted by principal markets such as the

For these countries, like Taiwan in previous decades, textiles will provide an engine of growth. For Taiwan itself, this is likely to mean a further shrinkage in the sector as it loses its traditional comparative advantages. But, as Hsu argues: "Any company can succeed if it adapts to the changing environment. Even changing environment. Even smaller companies can find and exploit their own specialty niches."

John Ridding

March 15

May 16

May 17

June. 12

July 9

August 9

August 24

December December

While some Talwanese companies may have lost their way on the international take-over trail, others have clear aims to establish global

businesses in their own industries John Elliott profiles two — **President Foods and computer** manufacturer Acer incorporated

President has global ambitions

Food for thought

WE ARE not like some other Taiwanese companies which have a lot of money to spend, but do not know where to spend it," says Chan Ghin-Shin, manager of the planning division at President Enterprises, Taiwan's largest pro-cessed food group.

"Our company wants growth internationally to become a global and diversified food company.

Four months ago President surprised the world's food industry when it best 15 other international companies with a US\$35m hid to acquire Wyndham Foods. The Georgia-based company is the third biggest biscuit manufacturer in the US after Nabisco and Kee-

It has set up a subsidiary, President International Trade and Investment Corporation (PTTIC) which is registered in the tax haven of the British Virgin Islands, to hold its 100 per cant ownership of Wyn-dham and to carry out other foreign acquisitions, joint ven-

President owns 65 per cent'of PTTIC, the other 35 per cent being held by associates and

banks. President's sales totalled US\$1bn when the company's joint ventures and subsidiaries (which include 530 stores under the 7-Eleven name in Taiwan) are added to its own figure last year of US\$590m, 96

per cent of which was in Chen says the aim is to build another US\$1bn annual turn-

over abroad within five years, including Wyndham's current US\$300m. The rest is to be achieved by expansion of Wyndham, inte-gration of the two companies

products, plas other ventures in food manufacturing, retall-ing and distribution in the US and Asia. The company is currently

negotiating various joint ven-tures and is also talking about buying some 7-Eleven store chains outside Taiwan. chains outside Taiwan.

If allowed to do so, it would also like to invest in China, where it has even been invited to rear chickens for its Taiwan Kentucky Fried Chicken shops.

President's interests range from edible oils and flour to pickles and frozen foods. Founded in 1967 in the Taiwanese city of Tainan, it is part of a group called Tainan which also includes Tainan Spinning and Universal Cement among

Last year an allied company, President Securities, acting with other investors, bought 30 per cent of the Taiwanese subsidiary of Wang Laboratories, the US computer manufac-

President started its search for an international role five years ago, when it discussed selling between 20 and 40 per cent of its stock to General Foods of the US. President would have bene-

fited by distributing products through General Foods, which in turn would have gained Chi-

m turn would have gamed Chinese food technology.
That sounded like a perisct match, says Chen, even though there was some oppositon because "Chinese shareholders do not like to sell their companies". But the deal fell through when Philip Morris took over General Foods. President, with hindsight, is more than

Since then there have been nearly 20 joint ventures and distribution arrangements distribution arrangements wan
Japanese, West German and
other food companies.

But President decided it
needed to internationalise on

its own, and once conside bidding for the Nabisco food

group.

The attraction of Wyndha which controls eight regional biscuit makers, is that it provides an opportunity for President to expand globally with product integration.

Wyndham was on the market because one of its main shareholders, Mason Best, needed to sell to cover property

the highest bid, but Wyndham confidered it the most attractive because of the Taiwan company's long-term growth

Acer has slowed its overseas plans

Expansionist adjusts

ACER INCORPORATED, one of Taiwan's most internationally expansionist companies, is slowing down its overseas plans while it digests recent acquisitions and adjusts to both domestic and world eco-

nomic problems.

But the company, which is Taiwan's leading personal computer manufacturer, says it hopes to be back on its expensionist trail by late next year, with either a company acquisi-tion of a large new factory in Europe — probably to be sized in the UK, Germany or Spain — costing between US\$30m

This reflects a continuing high technology Taiwanese companies as they seek to establish themselves in the hig markets of the US and Europe.

Formerly called Multitech, Acer was founded in 1976 by Stan Shih, its chairman, and went public in 1988.
It hit the headlines three months ago when it paid US\$94m for Altos Computer, a Silicon Valley computer systems manufacturer, which it hopes will quickly correct poor sales in the US and

improve marketing in Europe. The Altos take-over followed a spate of smaller acquisitions over two years in the US and Europe which were simed at gradually improving Acer's international sales and survice operations.

Domestically there has been

a 74 per cent stake in a US\$300m joint venture with Texas instruments to manufacture dynamic random access memory (DRAM) chips, plus NT\$1.2bn expenditure on land for new headquarters outside Taipel.

A US\$20m manufacturing



plant has also just opened in "It's time to digest and to integrate all our investment efforts, which have been too aggressive and expensive because growth rates have not met our expertations save met our expectations, says

"Profit margins are too low
they were almost zero last
year — so we must be more
conservative."
He expects last year's pre-tax

earnings of US\$6.4m on total revenue of US\$689m (down from US\$27.8m on US\$531m in 1988) to improve to only about US\$15m this year on US\$900m

US\$15m this year on US\$900m turnover.

"In the past two years we have expanded too quickly and the personal computer industry is not so strong as before," says Philip Peng, Acer's vice president for corporate finance.

"Last year we easily raised NT\$4.50n in the buoyant Taipei capital market, This year it is difficult to raise money in Taiwan or, after the Gulf crisis. Taiwan or, after the Gulf crisis, internationally."

Sales last year were split roughly equally between the US, Europe and the rest of the world, including Taiwan which accounted for about 12-15 per

But Peng estimates the US share will fall to 20-25 per cent this year because of problems.
Acer experienced selling through general desiers before it bought Altos. The target at Aitos, which made a US\$3.1m nine-month pretalence loss, is to produce between US\$3m and US\$5m profits in the first year of Acer's ownership.

Acer's ownership.

Economies have been made
by combining the two compe-

and cutting some duplication of research and development Unlike many Taiwan companies, Acer has diversified from original equipment manufac-turing (OEM) for sale under other companies' labels to own-name brands of equipment. At present, 45 per cent of produc-

present, 45 per cent of produc-tion is OEM and 55 per cent Acer label. Shih says he prefers to keep a substantial OEM business to help maintain volume produc-tion and to enable him to reap

the benefit of other compar marketing skills, which he ackowledges is not an Acer strength.
Shih's ambition is to create a "truly global company" and that requires a substantial personal computer manufacturing

centre in Europe before 1992 -which Acer has been considering for some time.
Whether that comes about depends on prospects in the world personal computer markets and on economic and financial prospects internation-ally and in Taiwan.



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INVESTMENT OVERSEAS: Peter Wickenden

Industry looks abroad

IT IS not uncommon to see trucks loaded with an oily assortment of used machinery heading in the general direc-tion of the coast. Although many of the small factories they come from have seen their heyday, these machines are not scrap. The destination in most cases is the Chinese mainland and the other relatively low-wage countries around Asia into which Taiwan is pouring manufactur-

ing investment.
Individually these are mostly small-ticket, low technology, labour-intensive projects. But so far they have featured more prominently in Taiwan's outward investment than the more glamorous large buyouts of hi-tech companies at have begun to occur in advanced economies

According to the economics ministry's havesment Commission, approved offshore investments by 180 Taiwanese comnanies totalled a record \$833m the first seven months of this year, a 251 per cent increase on the same period last year. Officials believe that the actual total may be seven

to ten times that.

A breakdown of the figures showed the US to be the most popular target, with 61 projects worth \$261m, followed by the Philippines with 15 projects totalling \$122m. Malaysis, Thailand, Indonesia and Hong Kong (which probably means mainland China) also came

Calwaness industry has been spreading its wings abroad since the 1950s, but only since 1988 has there been a rapid increase. For small labourintensive companies struggling to survive the move offshore

has been both a way of beating protectionist quotas and of buying time. The government favours investment in lowwage areas so long as the comnies "leave their roots" in Taiwan and use the breathing space and profits to upgrade

production at home.
The vice expression minister P.K. Chiang says he suspects that most of the 1,000 companies that have moved to China are short-term opportunists who will pack up when wages begin to rise there. The minis-

Industry has been spreading abroad since the 1950s

try has therefore proposed that indirect investment in China only be allowed for low-tech products in which Taiwan has ilready lost competitiveness. According to Taipei's main economic think tank, the Chunghwa Institution for Eco-

nomic Research, Talwan com-panies have already invested \$1.2bn in the Chinese main-land. For strategic and political reasons Taipel would rather see the current "mainland fever" among Taiwanese busipessmen cool off and more investment flow to other Asian countries. In the absence of formal diplomatic ties, the payoff is greater substantive recognition for Taipei and thus points scored in the battle for regional influence between China's political clout and Taiwan's piles of cash.

While investment in develop ing economies may help Talwan companies preserve market share and cut costs, they do not yield the greater managament experies of veci-nology needed for long-term growth. Larger and more for-ward-looking companies in the electronics, consumer goods, processed food and service industries are at the same time making strides in the US.

The last two years have seen three major US acquisitions by Acer, the island's largest per-sonal computer maker (see Page 4), the purchase of Wyse Technology by an investor group that included Taiwan government funds, and most recently the purchase of Wyndham Foods, a major biscuit manufacturer, by President

Enterprises (Page 4).

Merger and acquisition specialists say cash-rich Taiwanese companies have made unsuccessful bids for many more, often ailing, US con-cerns. The analysts make a distinction between Taiwanese companies that want to become global by expanding vertically and transferring technology and management back home, and those with more amhitious but less

formed plans.
Examples of the latter may include Tuntex, a large con-struction and textiles group which has jumped into bank-ing by buying un eight trou-bled savings and loans institutions in Texas. The company also announced earlier this year a plan to spend \$260m buying six US hotels that would form part of an international chain, and no less than \$10bn on 2 marrivo real estate project in San Francisco. project in San Fran Securities analysis say Tun-tex has over-extended itself and has been scaling its ideas

down after the Taiwan stock

steel and construction group with no previous experience in the financial sector, acquired Omni bank in California, and intends to integrate it with a bank that it hopes to start in Taiwan next year. Local experts say that a better way for Taiwanese companies to gain financial expertise would be to take a state in a succession. ful foreign bank rather than make an outright acquisition of a small and shaky one. But they concede that it is not in

the nature of the Chinese to

share control.

Due to Taiwan's long trade, educational and political ties to the US, its industry has been reluctant to move into Europe. An endless stream of delegations from BC states give se nars in Taipel in an effort to attract manufacturing and distribution investments. They point out that the EC now accounts for more than a fifth of Taiwan's total trade, and it the single European mar-

bet is close.

According to official figure 250 Taiwanese companies have invested \$1.1hm in the US since 1959, 375 companies have put \$760m into Asia, while 52 companies have invested \$263m in Europe. Although these figures are seriously understated, the proportions are good indica-tors. So far, only Taking, an electrical appliance manufac-turer, has made a significant manufacturing investment in Europe, but other companies are showing interest.

Semi-official representatives of European countries based in Tripei say hopefully that they expect to see a last-minute surge of Taiwanese investment in their countries.

FINANCE: John Ridding

Primed for expansion

TAIWAN'S FINANCIAL sector has long been the poor relation of the real economy. While Taiwanese industrialists and exporters have expanded domestic manufacturing bases and moved with such impact into overseas markets, the country's financial institutions have lagged behind both in terms of sophistication and

But change, albeit gradual, is now underway. From the stock market to the banking sector the government is implementing a policy of liber-alisation and reforms aimed at creating more powerful and efficient financial institutions. "We would like to be one of the financial centres of Asia," says Wang Chien-Shien, the finance minister, "so we have to liberalise our markets." As a result, and after several false dawns, the government is

set to allow foreign investment in the stock market. net for final approval - expected by the year and - will allow up to \$2.5bn to be invested in local companies. Each institution will be allowed to invest between \$5m and \$50m and foreign owner-ship will be limited to 10 per cent of the equity of any local

At the same time, the 201erument is taking steps to increase competition in the domestic banking sector. commercial hanks - Chang Hwa, First Commercial and Hua Nan, which dominate the industry with combined deposits equivalent to about 40 per cent of the island's total — are to be privatised and regula-The planned flotation was

hastily postponed because of the recent sharp falls in the stock market, but will go ahead once the bourse recov-

More significantly, the gov-emment is to issue licences for new commercial banks. Appli-cations are to be submitted by the middle of October and the government is siming to decide the successful applicants by April next year.
The requirements attached

to the new licences suggest that the new entrants are going to be formidable players. Minimum paid in capital has

been set at NT\$10bn each, at least 20 per cent of which will be open to the public through share subscriptions. Given the stringent requirements, even a small number of new banks are likely to have a substantial impact on the traditionally pro-

C.S. Lo, chairman of Chang he supports the introduction of new banks and welcomes the challenge. But he expresses concern about the impact of increased competition while commercial banks remain in the public sector. "Under the resent regulations we cannot develop our business with a free hand," he says, citing government control over the number of staff, budgets and rempneration levels for bank

Some of our well-trained employees will be accuted by the new banks," he complains. New services are being introduced to prevent erosion of the bank's NT\$450bn of deposits. says Lo. These include the first 24-hour automatic cash disnsera in Telwan.

Similar concerns are expressed by Liang Kno-Shu, chairman of the Bank of Communications, who argues that the three large commercial banks should be privatised before new licences are

Problems of restrictions and the increase in competition are also concerns for the 37 foreign

Licences for new commercial banks are to be issued

banks operating in Taiwan. The most stringent restriction is the difficulty in obtaining local currency funding," says Pierre Cardonne, general manager of Banque Paribas in Taipel. There is no bond market, so we have to rely on deposit taking which is limited by the size of the branch's capi-

Other restrictions include the number of branches. Citi-bank, for example, pursuing a strategy of expanding retail banking services, is limited to The consensus among for-sign banks is that Taiwan has

pect of increased competition in corporate banking is prompting foreign banks to diversify their activities. "We hope that husinesses such as become more difficult and will mergers and acquisitions, pri-

Weng Chien-Shien

tighter still."

become still tougher over the

peri few years. "Mergins are tighter than

they were in 1967 and 1968," says one, "and the introduction of new banks will make them

The foreign banks are also suffering because of the slow-down of the Taiwanese econ-

ony. Much of their business has traditionally been related to exports, which have con-

tracted this year, while the near collapse of the local stock

ness conditions have increased the number of bad loans and the risk of default.

But the liberalisation of the

demestic sector should also bring opportunities to foreign banks. Changes made earlier this year in the ministry of finance's banking guidelines have allowed wider activities in the securities and trust

banking sector, while the ratio of deposits to capital has been increased from 12.5 times to 18

times. The planned opening of the securities to foreign insti-tutional brestors is also wel-

At the same time, the pros-

business will compensate for any loss in our present reve-nues," says Cardonne. The prospect of a more difficult business environment has been a factor in a number of decisions to close or reduce the size of operations. Chemical Bank of the US is closing its branch office while Chase Man-

hattan is selling its credit card However, these moves are eing offset by new arrivals. The most significant is the opening of a representative office by the Bank of Tokyo, which is overcoming diplomatic sensitivites between Japan and China to join Dai

Ichi Kangyo, currently the only Japanese bank in Taiwan. In a reverse move, Chang Hwa Bank, has opened a representative office in Tokyo, reflecting the growth in over seas operations of Taiwan's banks. "Taiwanese banks should be more active in sup-porting the overseas activities of manufacturing companies, argues Lo, who foresees a greater international expantion following the relaxation of

the government's traditionally tight control.
Like the other steps towards fmancial liberalisation, greater international exposure will take time to develop. The pace of liberalisation has been fairly slow," says one foreign banker, "but it is a complex issue and the authorities are

International exposure will take time to develop

probably moving as fast as they can."
Wang expresses a similar
Wang expresses a similar sentiment, "We want to go as fast as we can," he says. "But we have to go step by step and we must be caraful."

As a result, few believe Taiwan will represent an alternative regional financial centre by the time Hong Kong reverts to Chinese rule in 1997. "We need to see free capital flows and currency convertability before Taiwan can develop as a regional centre," says E.M. tive at Citibank. "In this respect Teiwen still has a way

STOCK MARKET: John Ridding

Curb on housewife's choice

THE TRADING room at Ting Kong securities in downtown Taipel has been unusually quiet in recent weeks. Investors, stunned by the 70 per cent decline in the market index since February, watch the ranks of screens hoping for dens of a revival

Even by its own volatile standards, the Taipel index has seen a remarkable year. From a high of 12,495 points on Feb-ruary 10, the market plumneted to a mere 3,135 on August 24. In between, the individual investors who dominate trading have engineered a

spin ere numerous.

The liquidity boom fuelled by the economy's huge trade surpluses between 1996 and 1989 has been dampened by a sharp contraction in domestic monetary policy. An esti-mated \$8bn of capital flowed overseas in the first half of the ear, while the effects of ad bank reserve requireents have become clear since

the beginning of this year. Also, a government crackdown on underground invest-ment houses, which used their financial power to manipulate , prompted a further

The economic news has also been gloomy, in Taiwan terms st GNP growth is forecast at a relatively slow 45 per cent while corporate pre-tax profits, excluding the financial sector, fell by an average 31 per cent in the first half of the year. But many analysts regard the market's decline as

"This is part of the maturing of the Taipei market," says an analyst at one of the largest domestic securities companies; "All markets go through an adolescence. In Taiwan this is particularly painful because it has been even more of a carino than most.

How much this year's decline will dampen the Tal-wanese appetite for gambling is certainly open to question. But Taiwan's speculative tentend with the determination of

The Talpei Index has seen a remarkable year

the authorities to create a in particular, Wang Chlen-shien, the new finance minis-ter, has a number of cards up his sleeve. Perhaps the most important is the opening of the market to foreign institutional investors. A move simed at investors, a move aimed at investors, a move aimed at allowing an influx of relatively stable investments. Under proposals issued by Taiwan's securities and exchange commission, selected foreign institutions will from the start of next year he allowed to invest a combined \$2.5hn in Taiwan's south and bond mar-

Talwan's equity and bond mar-Foreign institutions will each be allowed to own up to 5 per cent of any one company and total foreign ownership of Taiwanese companies will be imited to 10 per cent of equity. Such a move is generally welcomed. Local brokers and investors see an opportunity to resuscitate the market while

foreign investors have long expressed interest in gaining access to one of world's most dynamic economies: "With the market currently in the doldrums, average price earnings ratios of less than 20 per cent, and good long-term prospects, the Taiwanese market is looking fairly cheep," says one analyst at a European securi-

ties company. But a number of institutions have also expressed reservations about regulations included in the market-opening proposals drawn up by the Securities and Exchange Comlike the condition that they can remit profits only once a year and must keep their prin-cipal investment sums in Taiwan for 12 months. However, Wang has indicated that amendments to these require-ments could still be made.

In any event, foreign institu-tional investment alone will not core all the market's illa. The government has also been . cracking down on underground used their enormous funds to manipulate the market, fuelting huge swings from one day to the next: "The government has done a good job in defusing this problem," argues one local

the speculative steam from the Taipel bourse include the imposition of a 0.6 per cent transaction tax, a factor in the market's plunge but also a dampener on the rate of share turnover. The cabinet has also approved plans to allow up to 20 per cent of the state's NT\$40bn pension fund to be

considering expanding the number of mutual trust funds. All these steps reflect a broader need for a shift in the balance of trading power away from individual investors who shares and account for about 90 per cent of trading. The ening of the stock market to reigners is itself a reflection of the weakness of domestic financial institutions which have been quable to quiet the nce of private investors,

including housewives.
Instinct and rumour rather than corporate analysis play a they know the names of the companies they are investing in," says Tarn: "But they don't know what they make or what their commercial prospects

may be."
At the moment their At the moment their instincts are probably that the bottom has been reached. Most analysts would agree: "We think a bottom is now forming," says Sunny Chen, President of W.I. Carr in Taiwan. The huge capital outflows of the first half have started to slow the impact of tighter. slow, the impact of tighter monetary policy has now largely been accommodated while the crackdown on under ground investment houses

rearing the end
The guif crisis, with its implications for world economic growth and Taiwan's export dependent economy, remains a big question mark, but with the index already in the delidware and with the the doldrums and with the prospect of foreign capital flowing in, the housewives at Ting Kong securities are soon likely to be busy again.

WHICH OF THE FOLLOWING IS RIDICULOUSLY TRUE?



A. Sumo is a form of ballet

B. Big Ben is in Paris



Taiwan is not in GATT

D. Kangaroos deliver mail in Australia



It's silly, but "C" is the answer. The world's 12th largest trader has been needlessly excluded from the General Agreement on Tariffs and Trade, or GATT.

And that's not all. The Republic of China on Taiwan also possesses one of the world's largest foreign exchange reserves (US\$70 billion), and has Asia's second highest per capita income (US\$8,000) and is the second largest foreign investor in Asia behind Japan.

The facts make it hard to believe Taiwan is not in GATT. But not for not trying. On January 1, 1990, Taiwan formally applied to

enter GATT as an independent customs territory, under the names of the territory it controls (the islands of Taiwan, Penghu, Kinmen and Matsu). That should have eliminated any political hassles, since Taipei's arch-rival, Peking, had insisted that Taiwan could not enter GATT as a nation-state.

Then Peking retrenched by asserting that Taiwan should not enter GATT until Peking qualifies, whenever that might be.

Think about it. A GATT without Taiwan is like London without Big Ben. Sounds ridiculous to us! How about you?





you're in Taiwan.



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SAAF

or Michael Kerstein, a British mobile phone dealer, doing business in France has been tougher than he ever inhalitied. "We felt that because we were successful in England, we could emiliate what we had done in France, where we say potential because the market was under-developed. But it is far harder than, we thought,"

DAY OCTOBE

was under-davidoped. But it is far harder than we thought, says an exhausted Kenshith. Setting in was easy enough. Starting from a rented office in central Paris two years spo, Euro Cetholar, the young British company which Kenstein an company which has been in four cities, nevel by a french salesforce, and a 4-per pour share of the mobile phone mar-led. But it is not nearly enough — and Euro Cellular's Franch-cionaction in citil bigins more

enmection is still lasting more that budgeted for: What he did not foresee was that. French houlds phone that. French notific phone prices would deep by up to half in the following two years. Worst, the fallowing two years. Worst, the fallowing two years, worst, the fallowing two years, which have given ment's policy of keeping a tight find on radio frequencies for mobile networks.

H given another chance, Kurstein admits he worker chance; Kurstein admits he would have even in with a Frênch partner, rather than trying to manage single-handed on only four drys a week in France.

Yet there is no question of Euro Callular pulling the ping.

"Frem here on it starts in get bedfer," says Karstein. The heat generation of mobile findies, due for trial in France next year, will aqueene inneh

pandes, due to that in France next year, will squeeze much more out of the existing capac-by said — unities the present generation — will be competi-life across Europe. Euro Cellular's trials and

Euro Cellular's trials and tribulations are echiced by Sofacas, a Spanish maker of bottle caps near Tealance, Humaner Plastiques, a Carman plastic injection mounter in St Aveld, north-eastern France, and Raffetter, a Finnish company owned by the giant United Paper Mills, which makes self-adhesive labels near Lyon in the couth and is building a new plant at Ponniev in ing a new plant at Pompey in the north

All four abweomers got a warm official well-only, but most of their found it harder than expected to make least way once established. Only two Richards and Hammer, are on budget. The rest philosophically viewed their lostes, or lower their expected practic, at the inchtable cost of getting a pole position in 1888 Extrasion single market.

Bis laid to tell whether the difficulties that the laid to tell whether the

Doing business in France

Triomphe over adversity

Newcomers generally receive a warm official welcome but, as William Dawkins explains, they will probably encounter more difficulties than they bargained for machines, so they kept sending faxes to our head office in Fin-land," says Lassenius, who

encounter were of their ewn making, simply the kind of problem foreign investors can encounter anywhere or flaws in a French system that is still evolving towards economic libevalving towards economic in-eralism. But the general impression is that France's mixed economy harbours an unforgiving market, in which the rules of the game may come under the influence of political decisions which are haid for newcomers to spot in advance. In two cases, mobile phones and bottle tops, the French market was so fragile that the arrival of a newcomer sparked a sharp fall in prices.

Regional development authorities fell over themselves to entice the newcomers with to emise the newcomens want grants and fix up bank contacts, earning high praise from Raflatate, Sofacap and Hummer: However, Raflatac and Sofacap, received generous offers of aid for unsuitable locations in economically

depressed or remote areas, a classic trap of regional policy. They both refused these incentives in favour of less aid in conimercially sensible spots and are thankful they made and are thanking may made that decision. "No amount of aid will persuade us to go where the transport costs are excessive," says Stephane Jansen, Sofacap's director. Hummer alone got investment aid for its first choice of location. - next to its main polyethyl-sup supplier near the Franco-German border.

Reflatac chose to build its first French plant in Lyon three years ago simply to get easier access to southern

Europe.

By contrast, its decision to open a second plant near Pon-sey, in Larraine, had fix roots in a political shall UPM had premised the French govern-ment it would create 100 jobs ht the region as a quid pro quo two years ago for being allowed to buy Stracel, a French juster mill, there. "Since Raffatac had been push-"Since Raffatac had been pushing for more capacity, the UPM president said OK, you do it," says John Lassemins, chairman of Raffatac's Pompey plant.

Lassestins, farmerly it mill blantager in Fibland, was besteped by offers from rival development agencies to set up



local recordingnt office which

found it hard to satisfy his sim-plest requirement that candi-dates speak English, the group's main language. "They presented five or six candidates for one job who all

claimed they were English speakers, but turned out not to be up to it. I could have used an international headhunter—

en international headhunter — but they are all based in Paris

and cost a fertime," says Las-

ers like taking psychological tests, obligatory at Raflatac. We have a lot of democracy

and freedom. For that you nee a special type of person," says

Lessenius.
Local suppliers also had to adjust to Raflatac's management structure. They were used to dealing with the top man in typically hierarchical

French compenies, and found it hard – at first – to accept large orders from young man-agers in the decentralised Finnish newcomer:

"They would not believe that our French units had the right to buy, say, FFr 3m worth of

Neither did French manes

in the most economically depressed part of the region, the remote Vosges hills.

After some internal debate, DPM supported Raflatac's preference for Pompey, where the regional aid is less generous but motorway connections are second to none. Otherwise, Raflatac has been left to find its own way in France with minimum interference from

its own way in France with minimum interference from company or national politics.

Yet getting established is only the start of the battle. "Once you are in, then your troubles start," says Timo Memi, manager of Railatac's Lyon plant. He and his colleagus Lassenius have had very different experiences in finding staff. Like all the new-comers, they needed to look like a French company to their enstoners, which meant having a French sales force and juntor management.

ing a French sales force and junior management.

Niemi picked up the core of his 18-strong team from a local paper maker that had closed down. Lessemins, however, had no such luck for his rather larger eparation, which now employs 22 and will need 180 staff by the time the factory is

the same experience.

Hummer also chose its

French location for an unexpected reason, it set up over the French side of the German border five years ago, not spe-cifically to sell to France but to benefit from cheap French nuclear-generated electricity, low labour costs and cheap property prices in the former steel and coal producing region of Lorraine.

says colleagues at Stracel had

Edda Hummer, the owner Edda Hummer, the owner and chairman, reckons her costs are on average 30 per cent less than they would be just 10km away in Germany, where she sells 70 per cent of output. Around 15 German companies near her have done the same and cleverly played on the differences of costs just over the frontier. over the frontier. Hummer's only gripes are

the fact that customs costs plus the need to have an agent in Germany take up to 5 per in Germany take up to 5 per cent of her turnover — 2 cost which in theory should be alle-viated if the European single market really succeeds in removing her local frontier post. "We paid FFr 120,000 in customs fines in our first year because we could not under because we could not under-stand the regulations. Since then, I am glad to say, we have

then, I am glad to say, we have received a bit more understanding from the local director of customs," she says.

Sofacap, the Spanish maker of PVC wine-bottle caps, crossed the border three years ago because it saw little room for growth beyond its 60 percent share of its home market. Chartened by the high failure rate of Spanish small business investments in France. Sofacap rate of Spanish small business investments in France, Sofacap prudently recruited a Frenchman to head the project. Jansen, a former McKinsey consultant, was then running the Barcelona office of Datar, the French regional aid agency.

Having invested FFr 10m in its new plant. Sofacap is only

its new plant, Sofacap is only just starting to break even. "We have lost FFF 3m over the pest three years. But it's the entry ticket that we have to buy," says Jansen, who reck-tons he now has 15 per cent of the French bottle-top market. On top of this, it took far longer than expected to acquire customers. Jansen personally visited at least 600 prospective clients in his first two years - mainly small wine merchants - and by 1988 two thirds of his turnover was still coming from just one customer, the Intermarché super-market chain. "They must get to know you. What made it harder was that because prices were falling, they were only prepared to buy in small lots," he recalls.

"I underestimated the differences in the quality of the product required and in the amount of competi-tion... Even if it is only 200km away from Barcelona, it's a completely different market, says Jansen.

Beyond the shock of adjusting to the French market's spe-cial qualities, several businesses mentioned specific problems to do with banking, regulation and legal affairs. Red tape was onerous, though none of them found it a decisive burden because they all hired advisers to handle administration. Hummer jokes: "I would say France has many more regulations than Ger-

many, but they are not so heavily enforced here." Even with a Prench savier in the background, Euro Cellalar ran into a potentially expensive legal problem when it fired a salesman, only to find that he had the right under French law to claim for loss of potential earnings and to take his clients with him.

Raflatac, meanwhile, was disappointed to find that banks did not pay interest on inter-national fund transfers held overnight, a service quite nor-mal in Finland. It was also surprised by the complex matrix of social charges and local baxes - "the most complicated payroll I have ever seen," says Raflatac's data processing

In general, these teething problems have done nothing to weaken the newcomers' con-victions of the importance of the French markets. Euro Celiniar plans to open four more stores in the next 18 months this time as franchises; Sofacep is about to raise venture capital to fund its expansion, while

Hummer believes it can double its sales in the next few years. The main lesson probably applies to foreign investors anywhere. New players in France will probably need more time patience and cash than they first think. Says Kerstein: "Anybody coming here with a short-term view is in for a shock."

Return to a doubleheaded power base

Christopher Lorenz on Hewlett-Packard's eleventh reorganisation since 1980

hile most of America was out celebrating Columbus Day on Monday, many of Howlett-Packard's managers were pondering over the implications of a major reorganisation of the american gradient and the control of the contr of the computer and instruments multinational which was announced on the eve of the holiday weekend.

On the surface, the three-faceted reorganisation seemed straightforward. First, the computer business is being reas-sembled into two new units, divided mainly on the basis of sales channels instead of produet similarities, as before. One unit will now comprise

workstations, mini-computers and networking products, which are sold through HP's own sales force. The other will include personal computers, laser printers and other peri-pherals, which will in future mainly be sold through dealers or as "original equipment" to

other manufacturers.
Second, a level of management immediately above the computer business has been removed, with its head moving into a joint "chief executive office" with HP's chairman, John Young. HP has thereby re-established in formal terms its founders' tradition of operating under double-headed

dership. Third, responsibility for com-puter sales is being transferred from a separate marketing organisation to the two new business units; this represents a sharp shift in HP's matrix organisation from its geo-graphic side (national and regional subsidiaries) to the husiness units.

HP managers ought to be used to reorganisations by now - since 1980 the company has - since 1980 the company has now "evolved", as an insider puts it, 11 times. But they were right to ponder. For, as with IBM and iCI's confusing recent corporate reorganisations (this page, September 14), there is much more to this one than meets the eye.

For one thing, HP revealed on Monday that the long-standing senior manager who in Friday appeared to have been

day appeared to have been elbowed out of line manage-ment into a "special assign-ment" actually left at the weekend to head a small com-pany. HP holds a stake in it;

tion, none immediately obvi-ous. First, the new structure parity answers persistent alle-gations among Silicon Valley observers of inadequate crossfunctional and other co-ordina tion within HP's computer business. It gives the two new computer heads, with their separate organisations, almost as much power as a controveras many power as a commover-sial executive who had com-plete charge of HP's computer business for a brief period between 1982 and 1964, before being pushed sideways because he had ruffled too many feath-ors. He computed to many feath-

he had ruffled too many feath-ers. He eventually resigned. Second, it establishes several youngish executives (aged between 47 and 53) in competi-tion for succession to John Young and his colleague in the chief executive office (both are around 58, and are expected to

retire by their early 600).

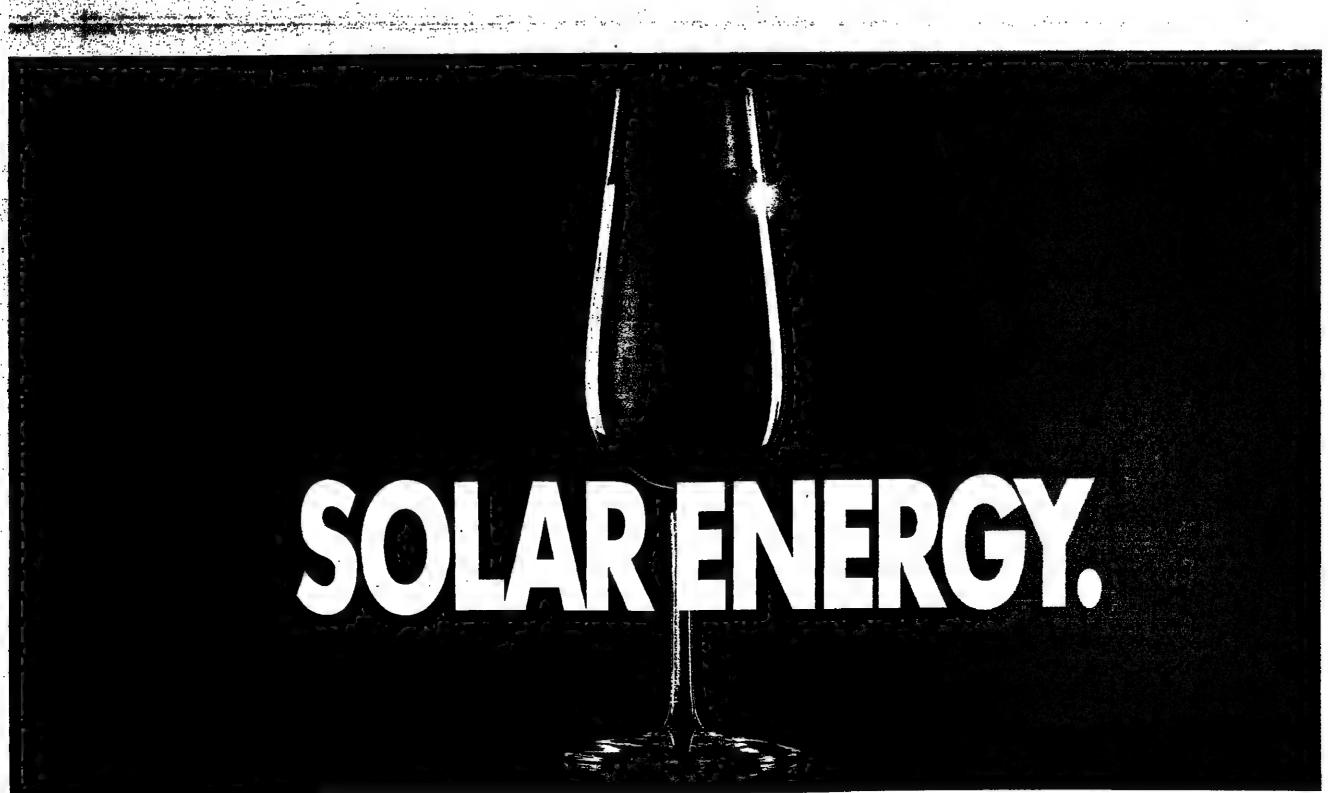
Third, it takes a very different route from that of IRM towards the universal corpo-rate goal these days of delayering, cutting costs, speeding decision-making, and altogether getting "closer to the customer". IBM responded in July to the computer industry's current wood - stagnant sales and soaring competition - by putting increased emphasis in its European marketing activities on the geographic

services on the geographic side of its matrix.

Faced with much the same set of problems, HP has done the opposite, transferring direct line responsibility for sales from its national and and applicable to the control of the contro regional subsidiaries (under the segle of central marketing) to its business units.

This apparent contradiction between IBM and HP is explained by the very different organisational directions from which they have come to confront these problems: IBM from a centralised tradition, HP from a highly decentralised one. To inject new energy and creative tension into their organisations, the two compa-nies need to take apparently

opposing steps. As with the between the restructuring of IBM and ICI, it all goes to show that there is no single formula to suit different companies fac-ing the same challenge.



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WARM TO THE EXPERIENCE

Cassettes still keep the beat

THE PROBLEM with recording industry is that they make lovingly-assembled col-lections of music redundant.

Purchasers of compact disc players have to decide what to do with their shelves full of vinyl. People who have accu-mulated dozens of cassette tapes over the years have to start all over again when they buy digital audio tape (DAT)

players.
This week, Philips, the Dutch electronics group, said it had an answer to the problem, at least as far as cassette

tapes are concerned.

It announced that it is devaloping a tape player which will be able to handle both digital

be able to bandle both digital tapes and conventional cassettes. The digital tapes will have sound quality equivalent to that of compact discs.

Philips said that the Digital Compact Cassette (DCC) will be available from the beginning of 1992. Based on a new, unspectived, coding technique. unspecified, coding tectmique, the DCC players will be designed for home, portable

Philips said that as well as playing pre-recorded digital cassettes and standard smalogue tapes, DCC owners will be able to record on to digital quality cassettes.

Previous advances in record-

ing technology, such as DAT, have raised the ire of the music industry, which fears it will lose royalties through pir-

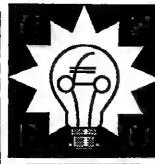
ating.

Philips said, however, that
the DCC recorders would contain a device to protect the
rights of the music companies. DAT recorders allow users to make one copy of a CD, but prevent them from transferring recordings from one tape

Philips said that several major music companies were participating in the development of DCC. They include PolyGram, a subsidiary of Philips, KMI and Bertelsmann. Tandy of the US is also participating in the development of DCC.

Philips said it was also talking to Expanse destruming companies which would help with the development of the

Michael Skapinker capacity of about 27 MW.
New projects which would



PHIVATISATION

ritain's fragmented industry, long noted for generating as much controversy as electric-ity, is once more moving up the political agenda.

Faced with the need to curb

emissions of carbon dioxide, the main greenhouse gas, the Department of Energy is trying to shed its reputation for hos-tility to renewable electricity sources such as the wind and the sun. One of the few new the sun. One of the few new targets in last month's white paper on the environment was for 1,000 megawatts of renewable capacity to be in place by the end of the century — a tenfold increase, if Scotland's hydro-electric plants are

But the government's recent renewables initiatives have been bitterly criticised by scep-tics within the industry, who warn that electricity privatisa-tion could bring further problems for the struggling sector. Colin Moynihan, the new energy minister, brushes off such doubts, insisting that he will champion the renewable sector: "In order to have a bal-

anced energy programme, it is very important to place empha-sis on renewables," he says. Electricity privatisation has tabered in a new method of subsidising renewables. In future, they will be supported by a levy on all electricity users, known as the non-fossil fuel obligation. It will bridge the gap between the price of generating electricity from renewables and the price of conventional electricity, as reflected in the new electricity market or nool.

market or pool.

The first list of projects to be supported by the renewable levy was announced last week. by the Office of Electricity Reg-ulation, the industry's regula-tor. A total of 75 projects with a combined output of 102 MW have qualified for this first round of support. They range from tiny hydro projects with a capacity of just 0.04 MW to an established waste-burning scheme in north London with a David Thomas on the viability of alternative sources of electricity

A renewed source of scepticism

have been unviable without larly critical of the eight-year the levy account for more than time limit set on the renewable the levy account for more than two thirds of the total capacity. Dotted among them are a new breed of entrepreneurs who are beginning to view renewable energy as a chance to make money, as much as an ecologi-cally worthy pursuit. Cheshire-based Land III Gas

Limited, for example, managed to secure lavy support for eight projects for generating electricprojects for generating electricity out of gas from waste dump sites. Bill Lee, the company's chairman, predicts that the levy will help to foster "designer waste disposal sites, specifically intended to harness all gas produced, so that higher levels of efficiency and lower levels of costs can be achieved."

Projects supported by the ren

26 11

And yet the process of agree-ing the first batch of schemes has left an astonishing residue of hitterness in much of the industry. The most general complaint is about the disapbined cutput of 102 MW is, after all, less than that from a small coal-fired station,

Jim Halliday, chairman of the British Wind Energy Asso-ciation, describes the less than 30 MW of wind energy sup-ported by the levy as "emhar-rassingly small". He compares it with the 525 MW of wind stations already built by Denmark and the 500 MW planned by the Netherlands for the middle of the decade. The association is particu-

price levy No Capacitu(%)

Commission. The 1996 cut-off will become more and more will become more and more crippling for wind energy and the other renewables as the period for repayment of capital becomes ever shorter," it says.

More specific complaints are directed at the way the authorities assessed the first batch of renewable projects. "The whole thing was a put-up job. It was a total farce," says Rupert Armstrong Evans, who runs a Comtrong Evans, who runs a Com-wall-based hydro-electric busi-

levy by the government after discussions with the European

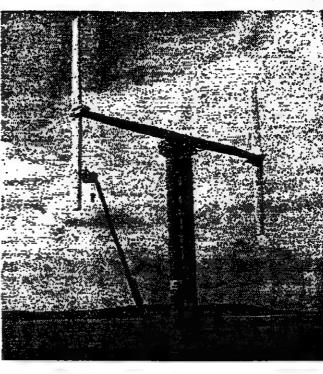
Armstrong Evans had draft contracts with South Western Electricity, his local electricity company, for six small hydro schemes. But he says that four were deleted in the last few weeks at the insistence of the office of Electricity Regula-tion. In a complaint echoed by many small electricity produc-ers, Armstrong Evans com-plains of a lack of information

assess renewable projects.

In the Department of Energy's version, the sequence of events ran broadly as follows. The government had received details of 370 projects by last autumn, when the first call for proposals was made, slithough some of these were alternative proposals for the Two developments served to

weed out some of these projects in the early part of this year. First, it was indicated that eligible projects would have to produce electricity at a long-run average cost of not much more than 6p a unit (kllowatt/hour) — compared with 4p-4.5p from a new coal-fired station. Second, at Brusinsistence, the levy was to be phased out after eight

that the Energy Department



Europe's largest wind turbine, in Curmerihen Bay, Wales

some projects. Eventually, some projects. Eventually, some 240 were ent for consideration in April by the regional electricity companies, which scrutinised them on technical and financial grounds. Draft contracts were signed late this summer by the regional companies with about 100 projects.

These 100 projects were fire

These 100 projects were forwarded to the Office of Electricity Regulation which screened them for technical, financial and environmental acceptability. The regulator then gave his blessing to the final 75 last week.

This cumbersome procedure

ems almost tailor-made to fuel deep-rooted suspicions smong many small producers that they are viewed as an embarrassing irrelevance by the authorities. "I'm sure they've been told to knock out as many small producers as possible because of the incorvenience," claims Armstrong Evans.

The government's apparent unwillingness to announce clear guidelines for the levy seems also to have set the industry's rumour mill working overtime. For example, many small electricity produc-ers treated the 6p a unit target as an absolute cut-off point, The Energy Department now says this was a misunderstanding: some projects supported by the levy are generating elec-tricity at more than 9p a unit. No doubt some allowance ought to be made for the fact

and the industry's regulator were operating a new system to tight deadlines. The depart-ment has announced that a second tranche of renewable projects will be supported by the levy next year, coupled with a special levy at a higher with a special levy at a higher rate for wind generation. Les-sons learnt this time should

allow it to be more smoothly and openly administered. The government is also plan-ning a full-scale review of renewables designed to establish how they will meet the new 1,000 MW target by the end of the century. Moyniban seems inclined to launch reguseems inclined to lamical regu-lar tranches of support for renewables using the existing levy up to 1938. And he is open to the suggestion that the gov-ernment may need to seek European Commission support

for extending the lavy. The review will also consider the further implications of electricity privatisation for renewables, since once priva-tised the regional electricity companies may become even less inclined to spend valuable management time evaluating

othen tiny projects.

Moynihan is optimistic that renewables could provide 24 per cent of Britain's energy by the year 2025 (large undeveloped projects like the Mersey Barrage would account for much of that). It remains to be seen how the government's a technical vice president of 18M, and representatives of 14 other PC makers including new-found enthusiasm will be translated into tangible results

IBM loosens its proprietary grip

he world's foremost pro-prietary computer man-ufacturer, International Business Machines, will today yield another inch to those companies which want to see common personal computer standards adopted throughout the industry. A consortium of manufacturers are joining IBM to help promote an IBM per-sonal computer standard that is proving slow to take off. The move towards a com-

mon standard has become so strong that IBM is encountering difficulty in persuading big corporate and governmental customers to accept its PS/2 personal computers equipped with Micro Channel Architecture (MCA), according to sources close to the company.
MCA, launched three and a
half years ago, broke with the
previous personal computer
standard for internal compections, known as the AT bus
standard.
With the debut of MCA YEAR

With the debut of MCA IBM made much of its intentions to enforce vigorously its intellec-tual property rights. By doing so it may have scared off early "clone" attempts. Market. research reveals the 94 per cent of the MCA-equipped PCs

old are IBM's own.

"Over 375,000 MCA PCs were sold in Europe last year and 355,000 were IBM's." It is not a PC market, it is an IHM mar-ket." said Giulio Maleci, PC strategy director of Olivetti Systems and Networks.

Pressure from its customers has convinced IBM that additional action is necessary on the part to encourage compa-nias to invest in MCA. Without credible second source suppli-ers, MCA would be branded as proprietary.

The aunouncement legitim-

ises MCA as another open architecture in the market. Looking down the road, it shows MCA to become the constandard for 1983 and beyond. For the first time it enables any computer manufacturer to go out and build a PS/2 com-patible machine without any hindrence," said Peter Horns, managing director of Apricot.
Today's announcement of a
consortium, called the Micro-Channal Developers Associa-tion (MCDA), will be made in New York by Robert Carberry,

mens.
"NCR shares a conviction "NCR shares a convictor that the Micro Channel Architecture should be the platform of choice for system developers," says Jim Van Tassel, an NCR vice president.

The consortium will strive to make relevant specifications available to its members to

ensure that all MCA-equipped PCs are truly compatible with the IBM standard.

MCDA's establishment justifies the concerns of those who have invested considerable research and development in copying the functions of MCA. They claim that without a common standard IBM was free to "move the goal posts" to maintain a competitive advantage over other PC suppliers.

"MCA development was more difficult because it wasn't

an open standard at the time an open stantard at the time but nevertheless we put in the resources and went ahead and developed it." said Richard Stone, PG Marketing manager of Otivetti Systems and Net-works in the UK. In the short term MCDA is

"In the short form MCDA is not likely to impact on our parallel product development line. It remains to be seen what its effect will be in the longer term," he adds. Olivetti offers both MCA and the enhanced industry standard architecture (EISA), spearheaded by Compag.

paq. What is going to make the difference in the longer term is how open IBM is prepared to come with MCA and how much input we have in the evolution

input we have in the evolution of MCA. The same comments apply to EISA. At the end of the day, the market will decide the standard," says Stone.

The formation of MCDA is widely interpreted to counter the EISA "Gang of Nine" which is also struggling to establish its own 32-bit enhancement of the original AT standard.

EISA was formed by com-

EISA was formed by computer manufacturers who objected to the proprietary nature of IBM's MCA designs. At the time that EISA was formed it was held by Compact that MCA would rever become e standard and that a new more powerful standard based on the AT bus was required by nstomers dependant on highperformance PCs.

Paul Lavia

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LYON BIENNALE DE LA DANSE

T 96, Martha Graham remains the A remains the most famous name in modern dance, and she is still choreographing. But what price longevity? You don't need to hang around the dance world for long to hear of the decline of both her current creativity and her old repertory. ...

And you don't need to have watched her company for many years, to see that the talk is justified. As with the actress Bette Davis (who, by the way, once stadied with, and worshipped, Graham) the more recent the work, the less andacious and original.

The state of the s company hasn't returned to Britain since 1979, and because it still keeps reviving important older works, I took the chance to see a programme of five works it was presenting at the Lyon Biennale de la Danse. Perhaps it was not to be expected that Graham's late-1940s choreography would Se legiste (Legiste)

FISA WED GENERAL P.

At the time that In

SAME OF HISTORY

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What is sing to seem reasonable to observe how two once great works.

Diversion of Angels and Broad into the Mare have become distorted.

Where I looked for calculating the standard spile in the last of the las

Daniel Tolling Lyan programme, however, were from the late 1830s. It's Character to the particular of Burns Maria always starfling to see just how Graham's creative presiness was bound up with her high summer as dancer. These dances are distinguished by the quality of her energy, so clearly connected to spiritual force.

Deep Song (1007) is a solo, powerfully denced new by Joyce Herring, that abstracts the suffering of Spanish women during the Civil War. She dances on, beside, under, a banch; it is her sent, comm, cross. Pride and pain are expressed together from the gut with singular momentum. The woman's spirit is a indomitable.

Steps in the Street, made for a large group of women and, one female soloist, is a suite. of three dances - Dayantation; Without Family; Exile - from Chronicle (1936). These pictures of the American Thirties still three. People

So brinkly, inc. I thought of the dark totalitarian pounding of Rusby Berkeley's Lallaby of Broadway and the luminous fluidity of Balanchine's Secretary of the Depression. Steps to the Street offers a view of Cicham we schlost see today outside the history books. The committed and socially conscious Graham

Just nameless women en the move, but bringing a

Alastair Macaulay

Martha TELEVISION Graham Autumn spectacles

nd still they come, the new series for the autumn season. Of course many are "new" only in the sense that these particular episodes are not repeats: Canned Currott (BBC) Wednesday) for example takes Jasper Carrett into his 13th year on television, and switches him - unfortunately - from a live to a recorded format. Carrott was the man who began a new series a few years ago by walking into shot with a working television, proving that his show was live by flicking across to the other channels and inviting viewers to chack for themselves.

for themselves.

It was a risky but telling gesture which would only be used, one assumes, by a true devotee of live broadcasting. Sure enough the sharp edge, that element of danger which comes from working without a safety net, is now missing. Last week's "Sweeney" spoof was nice, with the uninitiated young detectives listening in bewilderment to their guvnor's London slang ("We've got a whisper about a sparklers blag... the rumble came from my grass... I'm not saying a dicky bird till you give me a monkey" etc). But the atmosphere, that tingle which you get from watching a stand up comedian performing live, had gone.

However, it is not those returning series with which this week's column is concerned but with the genuinely new

concerned but with the genuinely new ones, or anyway those that are new to this country. The most striking fact about the list is that so many of the programmes are American. The British have always watched American series, of course, thanks to the common language, the high production values, and the powerful cinema tradition established by Hollywood.

True, such programmes have invariably been met by a xenopholic growl of anti-Americanium from some, but ever since Dragnet and Gunsmoke in the 1950s they have attracted big British andiances, mainly, no doubt, because the series crossing the Atlantic have been the best that America produced. Now for the first time, thanks to the rapid rise in television hours to be filled in Britain, we seem to be getting second and third rate American material. Nor is it turning up only on the new chan-nels. Presumably when Sky and BSB buy up some of the better material it forces the old channels to buy from lower down the American salesmen's

That, anyway, is my ressoning for the presence of Dogsie Houser, MD on BBCl (Wednesday). Perhaps the idea of a 15-year-old hospital doctor seemed good when first mooted, and maybe a lot of Americans go for its old fashioned and rather sentimental view of teems. the presence of Doogie Houser, MD on BBC! (Wednesday). Perhaps the idea of a 15-year-old hospital doctor seemed good when first mooted, and maybe a lot of Americans go for its old fashioned and rather sentimental view of teenagers and family life, but to this British eye it merely looks absurd without the benefit of being truly farcical. More than likely the sale was also belped by the name of the producer. Steve Bochco who made Hill Street Bluss. This naw series is not in the same league.

Probably Fresso (CA Monday) was

another series which seemed hysteri-cally funny at the planning stage: a saga of inter-family rivalry set among the raisin growers of California, complete with saxy matriarch widow, con-niving son, nymphomaniac daughter in law, and an evil neighbour who is determined to do the Kensingtons out of their water rights. But all that is demonstrated, at great length, is what Kenny Everett proved years ago: that trying to parody Dallas is hopeless because you can never be more outra-geous and deadpan than the original

The two most notable new American series are both being carried by Sky 1: Alien Nation (Wednesday) and The Singsons (Thursday). During the first hour of the blockbuster opening episode of Alien Nation I squirmed at the heavy handedness of the allegary: the "new-comers" from space, identical to humans except for their oddly decorated hairless skulls which look like fancy bathing caps, who face persecution and discrimination. The re-writing of the Selma haitles over school desegregation seemed embarrassingly obvious, as did most of the other elements: the over compensating chauvinism of the newcomers' teenage gang, the conthe newcomers' teenage gang, the con-tempt of the black policeman, and so

Then, during the second hour, the power of that familiar old American narrative drive began to work. The heavily flagged messages about America's melting pot philosophy and its benefits to successive waves of immigrants faded into the background behind the strong story line which managed to plait together, with no great feeling of over-contrivance, a huddy-buddy detective yarn, giant marauding insects, and a latterday Ku Khux Klan. It is not the most profound drama everscreened, but like so much that has reached us in the past 70 years from American cinema and television it has admirable "What next?" qualities, and a very clear grasp of right and wrong.

The most heavily hyped of these new series, The Shupsons, looks like the sort of programme which (even if it were available to all British viewers and not

just the five per cent currently receiving the five per cent currently receiving Sky services) would always be more popular in the US than in the UK. The Simpsons are a slovenly, violent, and pretty thick working class family headed by Homer, a beer swilling worker at a nuclear power plant, and Marge, a housewife with a vast bine handy bathub. Central to the series is Beet a convertly and load mostibed 10



Without Walls': Nicholas Ward-Jackson weighs up a work of art

Tyson. American news magazines bave run cover stories, and learned essays are being written about the surprise appeal of animation to adult viewers, and the new role of fuddy duddy net-work TV in ministering to a blue-collar constituency in the new middle class age of satellite and cable.

But there is nothing new about the appeal of blue collar humour, nor about the adult popularity of cartoons: The Phintsones celebrated their 30th birthday last week. If you put them and Archie Bunker and The Honeymooners blue collar types all — into a cocktail shaker and mixed well the result would be something very like The Simpsons. The worst aspect of the series is the actual artwork: crude modern drawing, with no subtlety in outline, colour or tone, and the animation itself kept to the cheapest minimum. The action is all in the foreground with no depth to the pictures. It makes the Disney fea-tures of the 1940s look like remaissance

works of art.
The Rita Rudner series (BBC2 Tues-The Rita Rudner series (BBC2 Tuesday) is not American, though the eponymous hostess is. Her quiet, quirky humour ("Men who have pierced ears are better prepared for marriage: they've experienced pain and they've bought jewellery") may well grow on us. On the other hand, that of Rab C. Nester (BBC2 Thursday) will not, since

cisely the pages where Berlioz, not bur-dened with theatrical limitations, lets

Gregor Fisher plays the title role of a sottish Scot with an accent so thick as to be wholly impenetrable. We shall need more evidence before

we can be certain about The Mary Whitehouse Experience (BBC2 Wednesday) schouse Experience (BBC2 Wednesday) which delivered a lot of gags suitable for radio ("John Major says we are not heading for a recession. He also met Elvis at the deli counter") which is acarcely surprising since it is, of course, a radio series. So far there seem to be no dates for further television episodes.

Most promising of the new homegrown series is Channel 4's Without Walls (Wednesday) an umbralla title for an arts magazine which, in its opening programme, managed three highly original items: a story told in black and white stills; a splendid demolition job on the laughably overblown reputation of Van Gogh delivered by Griselda Pollock who not only knows her stuff and speaks well but looks good too, a com-bination which should ensure her as

much should enture her as much television work as she cares to have; and a fascinating analysis of Manet's pictures of the shooting of Emperor Maximilian.

All that and there is still a fornight to go before BBC2 even begins the biggest of the new American cult series, Twie Peaks.

Christopher Dunkley

Kennedy & Jones HOYAL PESTIVAL HALL & RADIO 3

The start of the BBC Symphony Orchestra's 60th birthday season went off in grand style. Under Andrew Davis, its chief conductor, they gave on Monday night a big, serious 20th-century proserious zoun-century pro-gramme - Webern, Berg, and Schoenberg, with Bouler's magnificent Rituel finely placed at mid-point - and brought to it the commitment and flair that win friends and persuade people that concerts of this sort need not be thought of as obstacle-races
filled with mar patches.
It no doubt helped, in the
attraction of sudience numbers
a good deal higher than usually gathered by this orchestrace courses or South Bonk

tra's events on South Bank, that two celebrated soloists not normally associated with Mod-ern Music had been engaged – Nigel Kennedy for the Berg Violin Concerto, and Gwyneth Jones as protagonist in Schoen-

berg's Erwartung.

Mr Kennedy turned up on stage dressed like Count Dracula: shock of electrified black white, face painted deathly white, black velvet gown with scariet sleeves and white rull, and only a pair of purple sneakers to contradict the impression. The sartorial note is necessary, not only because viewers may welcome the warning before the BBC's forthcoming televiator relay of the same event, but because for a soluist in a work intersied as a requiem for a beloved dead child, the violinist's dress style was so peculiarly inap-

Fortunately, however, his musical style was altogether more seemly. Since Mr Kennedy now cuts such a curious figure in the musical world, it was good, indeed, to be

reminded that solid virtuoso technique and natural musictanship still form some part of it. His account of the Berg may have underplayed the Wienerisch markings and aspects of the solo line - bittersweet. waltz-swaying inflections, ample, lyrical portamento -but he responded with flerce intensity and pure, well-cut line to the gathering stormclouds in the musical drams.

With Davis and the orches-tra cultivating a febrile, highlycharged, and brilliantly detailed orchestral backdrop (the same approach as in their excellent Webern Passcaglia and Erwartung accompaniment), the concerto emerged slightly narrowed in emotional range but heart-stopping in its pathos. If Mr Kennedy's careermanagers will allow such excursions away from Viv and Co., this performance creates a good basis for further develop-

Dame Gwyneth also merits a sartorial note: taking the libretto seriously, she appeared on the platform wearing jewels and in a white dress dotted with roses, and looked utterly ravishing. She too needs to develop her performance a good deal further. The gare was too often addressed to the score-stand, the words were mushy, and an overall dra-matic progress through the monodrama still has to be built up. But the sound of that mighty isolde-cum-Elektra organ pouring itself with mol-ten vitality and heedless generosity into the anguished yet grand-scaled vocal line was utterly thrilling. How overwhelming Schoenberg with no holds barred can be!

Max Loppert

Fraulein

COLOGNIE

Tucked away behind the Opera and the Schauspielhaus, the tiny Schlosserei is Cologne's workshop theatre. With more than a whilf of the nightclub about its black-curtained audi-torium, haphazard clusters of high bar stools and raised meon blue catwalk, it is the ideal venne for intimate drama like Fraulein Else. Written as the inner monologue of an upper class Viennese girl who pours out her angst and neuroses as finently as if she were on the analyst's couch, Schnitzler's 1923 novella is not an obvi-ously theatrical work, but it is transformed here bute a 60-min-tite play which leaves you dizzy with its psychological Freud called Schnitzler his

Fittingly for a play which centres on the distortions that occur when one is locked into one's own tunnel vision, the action in Alberte Barsacq's inventive production takes place within a panel of light just two feet wide. A black curtain hems in Else on both sides as she throws out her thoughts; a cohort of alabaster-faced men in white linen suits, hats and cigarettes poised, lie creepily motionless on the catwalk at her feet; elegant decadence beautifully fused with suffocating convention.

In one of several moments of

pure theatrical magic, the most forbidding of the alabaster figures comes alive as the grimly commerce-obsessed Herr von Dorsday (Volker Niederfahrenhorst) to pose the dilemma on which the play turns: he will redeem Else's suddenly bank-



Katja Bellinghausen

rupt father from shame and scandal if she will strip for him in his hotel room at midnight.
Will she, won't she, could
she, should she? There is real suspense in this drams of a young woman awakening to a sense of her social position and sexual identity, and Katya Bellinghausen, a marvellously eloquent Else ("Die Luft ist wie Champagner", she intones, as if drinking in the words), demonstrates a vast emotional range, from girlish giggles through suicidal reverie to soprano panic, in her portrayal of the poor little rich girl who loses control when her com-fortable protected world is

Jackie Wullschlager

'La Damnation de Faust' in Paris

comfortably installed at the Chitelet, the municipally-backed Theatre musical de Peris continues to steal the spasmodically operative Bastille's thunder. The opening show of the new sesson, ambitious and resoundingly successful, is a staged varsion of The Domination of Faust conducted by John Eliot Gardiner, whose recording of the work for Philips was much praised, with the Châtelet's own chorus and the Philharmonia Orchestra brought from London MOREADIY I monia Orchestra brought from London for the five performances. The producer and designer is Yannis Kokkos, Greek-born, resident in Paris, evidently a tal-

ent to watch.

Berliox designed his "dramatic legend" for concert performance, yet with
his passion for the theatre and high
sense of drama it is not surprising that
he considered a theatre version and
that producers have often laid hands on the existing one. Yet the first stage production did not come until 1803, when knowl Gunsbourg took the plunge at Monte Carlo. There have been numer-ous preductions since, including inter-esting ones by Louis Erio in Lyons and Lisbon, Béjart at the Paris Opéra and

The new version at the Châtelet must surely be among the most distin-guished. Kokkos being his own designer, both the conception and the visual side have a powerful unity. The style is fantastic-romantic somewhere between Bosch and Bérard – mainly dark, burnt colours, septs, dull glowing bronze, midnight blue. Red for the most part is withheld, symbolically, until we reach hell. There are touches of popular theatre, fairgrounds and circus. Not only is the total effect potent but there are striking images to carry away -Faust framed in a doorway with the plains of central Europe stretching behind him; Faust and Mephistophelès behind him; raust and mephisopheles signing a pact under a graciled tree. Movements of chorus and dancers (Kate Fiatt is responsible for the "mouvements chorégraphiques") are well coordinated. An admirable feature is the lighting of Guido Levi, master of chiar-course and atmosphere with the inclusion. oscuro and atmosphere with the techni-cal skill to pick out features in the

Naturally in a work of such complex-ity some scenes work better than oth-

his imagination roam most freely - for example in the transition from Ansebachs's cellar to the banks of the Elbe, where while the music guides us through space, Mephistopheles is seen through space, Mephistopheles is seen bending over the sleeping Faust as if he were performing a surgical operation. And again in the Ride to the Abyes, where the air is full of flying dragons but the two principals clearly aren't moving at all. The upper part of the big stage is abundantly used: there is much trapezing, notably when the soul of Marguerite wings its way to heaven.

Gardiner's conducting, with its rhythmic bite and clarity combined with flery bricism, is even more impressive

mic hite and clarity combined with flery lyricism, is even more impressive than on the recording. The playing of the Philharmonia, resounding splen-didly in the theatre's friendly acoustic, gives intense pleasure. The chorus is strong — I do not remember a more convincing performance of the cellar scene (a strong Brander from Réne Schirrer) or of the student/soldiery imbroglio. Michael Myers, who sings

advantage in the theatre — good qual-ity tone but no "lift" to the phrases, and little suggestion that this Faust can ever have been anything but an elderly

The American bass-baritone Monte Pederson is a commanding Mephistoph-élès, shaven skull, sinister features not unlike a famous Mephisto in Goethe's play, Gustaf Gründgens, a Cuberst top-last from time to time. Though Peder-son's line in "Voici des roses" was spectral, the quick pages like the Serenade carried excellently. Waltrand Meier's carried excellently. Waltraud Meter's Marguerite was no shy betrayed girl but a woman of assertive, Wagnerian personality — if you can, imagine a Fricka who buys her clothes in Paris, The voice was uncomfortable, the Ballad urgent but prosaic, the Romance passionate but raucous. Only the sensitively shaped ending showed what might have been. Even so, the cormight have been. Even so, the cor anglais solo was finer. I can't imagine a Paris opera audience more keenly atten-

Ronald Crichton

The Scenari Counth (Goodman). The Goodman opens its new sec-son with a revival of vintage

O'Neill starring film actor Brian Deaning, Ends Nov 4 (443 8800). Kabuki, Performances at Kabu-

programms.

Phantom of the Opera (in Japanese). This highly successful production is a carbon copy of

him famous 20 years ago. Kan'i Hoken Hall, Gotanda (477 7625). Cheek by Jowl in Hamlet. Lively British fringe company making their Tokyo debut as part of the UK 90 Festival. Tokyo Globs Thestre (360 1151).

SALEROOM

£1m banknote devalued

A \$1m banknote sold for \$23,100 at Christie's yesterday to the dealer Brian Dawson. The note is one of only two film notes surviving from a short period of six weeks in 1948 when the Treasury issued notes to record the movement of money under the Marshall of money under the Marshall Aid Fund. There was a 210m note issued at the same time but that, along with all but two of the film, notes was destroyed. The price was near the bottom end of the

Also at Christio's an enetion of Islamic art brought in 21,060,939, with almost 22 per cent unsold. Two folios from early Qur'ans made the top prices - eight leaves written on veltum in golf kuffe in the 9th century sold for £110,000 (such Qur'ans of this date are very rare) while thirteen similar leaves from a 10th century Qur'an fetched £99,000, alightly below forecast.

An Iznik pottery dish of around 1560, in blue and white

with a Chinese grape design, did well at £93,500 while a miniature Qur'an, produced around 1140 in either Spain or North Africa, also beat its

target at £71,500. Sotheby's has traditionally dominated the sale of expensive musical instruments, but it is Christie's which hopes for a record in this field on November 21, when it offers a violin by

Stradivari which should make over £600,000. The current suction record for a violin is 2572,000.

This example is "The Mendelssohn" named after its late 19th century owners, the Mendelssohn banking family, who were related to the composer. The violin is being sold for the benefit of the United Jewish Appeal-Federation of Jewish Philanthropies of New York. Phillips held a solid furniture auction which totalled £397,100 with 18 per cent unsold, Italian dealers were busy buying up Italian furniture, One paid 124,200, three times estimate, for an 18th century walnut bureau and £20,350 for an 18th century Lombardy walnut and ebony moulded bureau. Top price among the English furniture was the £11,000 paid for a set of 29 Regency mahogany and ebony strung dining chairs.

The National Gallery's appeal for £2m. to transform the adjacent Royal Dental School into a new home for its archive and library has come to a swift and successful conclusion. The Henry J and Drue Heinz Foundation is providing all the money needed and the Heinz Archive and Library should be open by the spring of 1993.

Antony Thorncroft

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THEATRE

Settrey Benand & Unwell (Apollo), Jennes Sciam & the alcoholic journalist who subodies a Faistellan, nay-say-ing life force while committing public suicids by vodka in Keith Waterhouse's fine play. (437

ARTS GUIDE

Aspects of Love (Prince of Weles). Andrew Lloyd Webber's latest is an intimate chamber operatin derived from David Gar-nett's 1955 novella, Musically net's 1955 novella. Musically interesting and well directed by Trevor Nunn. A probable, but anspectacular, hit (339 5972). Burn This (Lyrio) Historing performances from John Malkovich and Juliet Stevenson in Lanford Wilson's play about the mismatch of opposites (437 3686). Sandowlands (Queen's). Weeple about the love affair between crusty Oxford writer C.S. Lewis crusty Oxford writer C.S. Lewis and the cancer-riddled American post Joy Davidman with Nigel post Joy Davioman with Miger Hawthorne and Jane Alexander. William Micholson's play is irre-sistibly emotional. Elijah Mosh-insky's direction is superb. (784 11521200 2019)

Abstrd Person Singular (White-hall). Revival of early Ayckbourn comedy, directed by the master himself, about three couples at Christmas in three kitchens over three years in a production which confirms Ayckbourn's early bleakness (071 867 1119). Extended until January Man of the Moment (Globe) Rigel Planer and Gareth Hunt in Planer and Gareth Hunt in another Alan Ayckbourn play, this time about media manipul

1165/499 3949

New York

Falsettoland (Lurille Lortel). It will be known as the musical about Aids first hitting New York but it goes much further than that, showing the effect on a larger circle of people, who include a boy having a Bar Minvah and his parants, all three of them (KM 5782).

Grand Hotel (Martin Beck).

Tommy Tune, Broadway's present musical doctor, directs this remake of the Garbo film in an elegant, but somewhat random setting (246 0102).

Cats (Winter Carden). Still a self-out, Trever Num's production Falsettoland (Lucille Lortel).

out, Trever Num's production of T.S. Eliot's children's poetry set to music is visually startling

and chareographically falme (239 6862).
Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageautry and drama

lessons in pageanity and manual (239 6200).
Phantom of the Opera (Majestic).
Stoffed with Maria Blormson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunt-ing melodies in this transfer from London (239 6200). Gypsy (St James). This 30th anniversary production is a reminder

of the heyday of the American musical with memorable tune after memorable tune, as well as a forceful plot about the ambitious stage mother who encour-ages her daughter even into hurleague (346 (102).

Washington

(Elsenhower). Abbey Theatre company brings what the ns want to see to con-

October 5-11

firm of the view of the Irish as unacrupulous charmers, Ends Oct 21.

Magnet, Performances at Amor-kl-2s (64; 3131) feature two actors who have attracted new andi-ences to kabuki. The star of the 11am show, Ennosuke, speci-alises in quick-change routines and spectacular stage effects. At 4.30pm the gifted omagata (specialist in female roles), Tamasaburo, stars in a love stary about a prior soil a parka. Meanwhile, at the National Thosmeanwhile, at the National Joseph re (286 7411), the rarely-per-formed Kagumiyama Sai keefuji is being given (performance times vary). Both theatres have excellent earphone guide in English and English-language

production is a carbon copy of the London original, with the , added advantage that one can ignore the banal lyrics, since they are in Japanese! Shimbashi Ebujoh Theatre (797 9601). Flidder on the Roof (in English). Topol once again takes the lead role in the musical that made him famous 20 years ago. Kan't

Playboy of the Western World

FINANCIAL TIMES

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Wednesday October 10 1990

Time to end sanctions

THERE ARE now compelling reasons to lift sanctions against South Africa.

The dismantling of apartheid has become irreversible, car-ried forward by the impetus of what President F.W. de Klerk has already done, and sus-tained by internal pressures. There is an urgent need to repair the damage done by apartheid. The process cur-rently under way will be harmed, not helped, by an economy that remains in reces-sion. And the economies of neighbouring black states are more closely linked with South

The European Community and the United States cannot act overnight, and Britain should not act unitaterally. But it is nearthalters time to record should not act unilaterally. But it is nevertheless time to recognise that — with the exception of the ban on arms — trade, economic, cultural and sporting sanctions have outlived their use: the South African government is at the negotiating table. The sooner black political parties resolve their differences and join it, the better. But their bloody rivalry has nothing to do with trade embargoes or sports boycotts.

embargoes or sports boycotts.
Since coming to office Mr de
Klerk has crossed the Rubicon,
and burnt his boats for good
measure. The release of Nelson Mandela and other political prisoners, the unbanning of the African National Congress (ANC), the Communist Party, and other proscribed organisa-tions, the abolition of the Separate Amenities Act, the ending of discrimination in hospitals, are all part of an unstoppable transformation of South Africa.

More pledges

There is no reason to believe that the National Party will not start to fulfil its pledge to repeal the Group Areas Act and the Land Acts next year. It has nothing to lose. The right-wing Conservative party would almost certainly win if an elec-tion were held now. The National Party has gambled its survival on a belief that it will recover enough lost support – and win over voters from the moderate Democratic Party – by a settlement with black South Africa which would be endorsed in a referendum. Continued recession makes this gamble more risky, for Conservative support stems in part from white fears of declin-ing living standards as well as from general political uncer-

Certainly sanctions have played an important part in the sweeping change in South African politics. The most effective move was the 1985 freeze on loans imposed by international banks, forcing Pretoria to run a surplus on the current account of the balance of payments.

At the same time, however, there were - and are - forces at work within the country which pushed Pretoria towards the negotiating table, and which will keep it there after sanctions have been lifted.

Labour shortage

A shortage of white skilled labour, the growth of black trade unions; the steadily widening gap between the size of the black and white populations the unsurer in township. tions; the upsurge in township violence; the divisions with the Afrikaner community as the impracticality, as well as the immorality, of apartheid became apparent all these contributed to a silicious contributed to a sil tributed to a political and ecoapartheid could not survive.

was being brought to bear on the ANC. Its guerrilla camthe ANC. Its guerrilla campaign, never very successful, received two powerful blows. Preimia's combination of economic and military strength persuaded or coerced black governed neighbours to deny facilities to ANC fighters. Meanwhile, it was losing the unquestioning support of the Soviet Union, and watching its backers in eastern Europe successib to the revolution. Like cumb to the revolution. Like the government, the ANC has little alternative but to negoti-

he ahead. That is no reason why South Africans should not why South Africans should not start to tackle the legacy of apartheid, including wide racially-based disparities in health, housing, and education. South Africa will not even be able to keep pace with current demands in its present economic plicit. The source sand. nomic plight. The sooner sanc-tions are lifted, the sooner this task can begin, enhancing the prospects for negotiating a new South Africa in an atmosphere

Europe's test in cars

If European car makers' campaign for trade protection against Japan has any redeem-ing virtue, it is that their lobbying has compelled them to acknowledge openly the extent of their own competitive shortcomings. Some producers in Europe now seem to be taking more seriously the need to tackle these weaknesses. The question is whether they can act quickly enough. Mr Robert Eaton, president

of General Motors Europe, emphasised last week that the only way to resist Japanese competition in the longer term was by improving efficiency. The same day, Flat announce an exchange of assets with CGE of France which should focus the Italian group's resources more firmly on its

Re-structuring around core businesses is sensible, but is only a first step in what Flat and other European car makers must do to ensure their survival as independent world-class producers. They need simultaneously to address three challenges. The first is further to improve manufacturing productivity and quality. Though they made considerable progress in the 1980s, the Japanese moved even further shead. They take half as long to assemble a car, and their production quality exceeds Europe's highest standards,

Development times

The second challenge is to shorten product development times. While European volume car makers need six years to develop a new model, most Japanese companies take four years or less. Because Japanese development costs are lower, they can be amortised over a shorter product life-cycie. These advantages not only produce savings and flexibility but enable Japanese companies to create new market segments, as Toyota has done with its Lexus luxury saloon. A recent study by the Massachu-setts of Institute of Technology argues persuasively that Japanese "lean" production techniques have displaced massproduction, enabling cars to be made profitably in low volumes.

How should European car makers respond? Horizontal own, offer an effective solution when manufacturing scale economies are rapidly growing less important. Nor is the answer simply further automation. The Japanese have shown that the key to improved effi-ciency lies in the way people, rather than machines, work. To draw equal, European pro-ducers will need to look well beyond the factory floor and integrate more closely their entire operations, from design studio to car showroom. That will require radical reorganisa ment functions.

Expansion abroad However, the Europeans

need to do more than master "lean" production if they are to avoid becoming mere regional niche players. Their third – and toughest – challenge is to expand internationally. All make and sell most of their output in Europe, and Fiat sells two thirds of its cars in Italy. The European industry's it wide open to attack by its ding Japanese competitors, which sell - and will soon be producing - in volume in the vorld's three largest car markets. Japanese producers' international diversification, as well as insulating against fluc-tuating labour costs and exchange rates, permits reduced unit costs and a more varied worldwide model range.

European producers have won only a small fraction of the North American market. That record scarcely bears out claims that their modest sales in Japan are due largely to unfair trade barriers. It also contrasts starkly with Japanese companies' success in in capturing 30 per cent of the US car market in barely a decade, and in producing two thirds of

their sales locally. Europe's car makers should view that achievement as a reason to redouble their own efforts, not for dismay. They still possess the capacity to regain world competitiveness. However, they need to recognise that they also have much to learn from the Japanese, and not much time left to so. Humbling as that realisation may be, it is far better than baying for protection in the vain hope that the Japanese challenge will go away.

t is, quite simply, the most potently symbolic place for Pal-estinians seeking to remind Israel – and, for that matter, the world - of their anger and frustra-

Wrested by Israel from Arab hands in the 1967 Six Day War, the spiritual heart of Jerusalem's Old City offers heart of Jerusalem's Old City offers an extraordinary physical compression of competing faiths. Directly below the hallowed spaces surrounding the Dome of the Rock and Al Aqsa Mosque, the third most holy place in the world to Moslems, stands the huge-stoned Western, or Walling, Wall, the most sacred Jewish site.

On a quiet day, it is possible to hear the prayers of Moslem and Jew mingle, punctuated at times by the peal of church belis from Christian shrines in

church bells from Christian shrines in the Old City. But on hitter days like Monday, when Palestinians rained down stones on Jewish worshippers at the Wall and Israeli policemen at the wan and island pointed at replied with bullets which killed more than 20 and wounded 150, the atmosphere is anything but spiritual.

The violence served as a traumatic reminder that Palestinian resistance

reminder that Palestinian resistance to Israel's 23-year occupation of Arab east Jerusalem, the West Bank and the Gaza Strip, and Israel's bloody response, has not gone away. It also underlined in dramatic fashion the extent of the political and economic difficulties now confronting Israel. difficulties now confronting Israel.

For the past two months, Israelis' attention has been focused on two issues which together comprise an external and internal challenge the like of which the country has rarely faced in its 42 years of existence:

The Guif crisis, which apart from threatening to embroil Israel in a regional war, has serious implications for Israel's lynchpin relationship with the US and for its position in the Middle East.

A flood of immigration by Jewa

 A flood of immigration by Jews escaping from the uncertainties of life in the Soviet Union, Aligah — literally ascension — is an overriding issue, as Mr Yitzhak Shamir, the terrier-like prime minister, keeps remind-ing his people between warning growls at President Saddam Hussein of Iraq. More than 1m Soviet Jews are now expected to swell Israel's existing population of 4.7m within as little as

three years.
Until Monday, these twin precen-pations had tended to eclipse the rather older question of the occupied territories. The intigada, or Palestinian uprising, had faded in intensity as it progressed through its third year. But as the unprecedented bloodshed in the Old City showed, it remains as exercise. central a concern for Israel as the Gulf crisis and immigration.

The three are intertwined in a way

The three are intertwined in a way that presents great complexities for Israell policymakers. Immigration by Soviet Jews has fuelled the intifada because Palestinians — who hitherto have easily outbred Israel's Jewish population — fear the demographic tilt in favour of Israel will finally shut the door on any prospect of a Palestinian state. But the enormous financial cost of immigration threatens to cost of immigration threatens to weaken the Israeli economy and its ability to bear the big defence burden caused by the occupation.

Israel's appeal for more aid from the US, to help it cope with immigration, has been undercut by Washington's immediate need to bolster allies affected by the blockade of Iraq. Meanwhile, Mr Saddam's insistence on linking Iraq's claim on Kuwait to Israel's occupation of Arab lands has turned him into a hero of the intifada.

The Israeli government — a coalition composed of extreme right-wing facilities and lad and red by Mr Shamir's Likud Party - has shown little imagination in response to these challenges. Its handling of the tide of immigration has been mud-dled. Its reaction to the intifuda remains a stubborn refusal to yield territory, coupled with an offer of lim-ited autonomy few Palestinians show

Hugh Carnegy says the killings in Jerusalem have further unsettled a country already preoccupied by the Gulf and immigration

Israel's rising tide of troubles



But Mr Shamir and his ministers sense that trouble is brewing for issuel as a result of the Gulf crisis. There is anxiety that the US might with for an outcome short of Israel's desire to see the Iraqi regime and its panoply of nuclear, chemical and mis-sile sites destroyed. "If Saddam Hus-sein remains in his chair, Iraq will continue to be a menace to Israel," says Mr Yossi Achimeir, a close aide to Mr Shamir. "We would like to see his reign come to an end very soon."

If this is not the outcome, Israel will clearly retain the option of one

We would like to see Mr Saddam's reign come to an end very soon,' says a close aide to Prime Minister Yitzhak Shamir

day attempting the job itself, although for now it remains, as one writer put it, humkered down on the western horizon, hand on gun.

So far the most disconcerting development for Israel has been the way events in the Gulf have rate the country's valetime bit one shout the country's valetime bit. with the US - America's most dependable, stable ally in the region, as Israeli ministers like to say. The deepening relationship between the US and Saudi Arabia (a state still technically at war with Israel), the warming of US ties with Syria, and the consolidation of the US-Egyptian

link have raised fears of a tilt in the

US Middle East posture. Talk by Mr James Baker, the US secretary of state, and others about a new security structure in the Middle East merely adds to the concern at a time when

adds to the concern at a time when the old certainties of east-west confrontation, in which Israel could cast liself as a "strategic asset" to the US, have melted away.

In a recent article, Mr Ya'acov Goldberg of Tel Aviv university's Dayan Centre, suggested that the US might come to perceive its ties with Saudi Arabia as the central strategic pillar in the region. This, he warned, would be "liable to have an allverse effect or be "liable to have an adverse effe Israel's position as a strategic US asset, co-operation between Jerusalem and Washington and the American position on the Israeli-Palestinian eace process."

Israeli ministers do not like to hear

Israell ministers do not like to hear it said, but the intimate connection between Washington and Israel has been a complicating factor for the US in confronting Iraq, offering as it does the opportunity for Baghdad to try to divide the US-Arab alliance.

Israel has been of undoubted assistance to Washington since the beginning of the crists, it supplied the US with "highly-accurate missiles" and intelligence on the nature of Mr Saddam's leadership, according to Gen-

eral Michael Dugan, the former US air force chief who was sacked last month for saying so to US journalists. Yet at American insistence, Israel has maintained a low profile, and Washington has kept a discreet distance from its ally. As senior US officials have criss-crossed the region

stop off in Israel.

The most worrying manifestation of the shift is in arms sales. Washington is making huge weapons pledges to Arab allies, chiefly Saudi Arabia, Arab allies, chiefly Saudi Arabia, while responding with noticeable coolness to Israeli pleas for balancing aid to retain its military "qualitative edge". "The American policy [of assuring Israel's] qualitative edge is not being implemented any more," Mr Moshe Arena, the Defence Minister, complained this month. "We don't have a situation in which the US is selling Israel equipment of higher

The Israeli government says the PLO's support for Iraq makes it even

less worthy of becoming

a negotiating partner

quality than it is selling the Arab armed forces." US officials insist that the close relationship with Israel is not about to change. The commitment to the qualitative military edge is still there, they say, as is a whole range of military and research projects. "All the cultural and democratic values that inform the relationship remain," said one western diplomat. There are so many elements of the strategic rela-tionship which are still advantageous. The focus may be under review, but I don't think the concept is."

Whatever the outcome of the Gulf crisis, there is little question that the

spotlight will thereafter once again be on efforts to resolve the Israel-Arab conflict. Mr Shamir's government is at once encouraged by the shift in Soviet policy away from such Israeli foes as Iraq and Syria and wary that as a result, the US might edge towards the continuing Soviet preference for some kind of internal conference to solve Middle East problems, including the Palestinian issue.

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Israel remains adamantly opposed to this comprehensive approach, rect, oning that such a conference would be hopelessly biased against if. But it is also aware of US frustrations at the lack of progress — chiefly due to Likud intransigence — on Israel's own plans for an accommodation in the occupied territories. There is growing unease in Israel that for all the West's refusal to countenance any linkage between the Iraqi occupation of Kuwait and other Middle East issues there is an increasing tendency among western leaders to renew pre-sure on Israel to settle the Palestinian

Presidents George Bush and Fran-cois Mitterrand have both suggested that fresh efforts might be made to resolve other Middle Eastern conflicts resolve other Middle Eastern conflicts after Iraq gets out of Kuwait; Mr Douglas Hurd, the British foreign secretary, last week made a toughly-worded speech in which he called for "new thinking" from Israel on the Palestinian issue.

Palestinian issue.

Not, of course, that Mr Shamir's government has shown any sign of shifting its ground, least of all in its adamant refusal to countenance a Palestinian state. It says that Palestina Liberation Organisation support for Mr Saddam makes the organisation even less worthy of becoming a negotiating partner than before. It continues to object to US proposals for starting talks with the Palestinians on its own plan for the West Bank and Gaza offering limited autonomy.

Government officials do lay greater

Government officials do lay greater stress on wanting to normalise rela-tions with Arab neighbours if not before, then at least in parallel with, progress on the occupied territories. They want the US to put pressure on Saudi Arabia, for example, to this saidi Arabia, for example, to this end. Mr Shamir has also flirted with the idea of negotiations with Syria. But Israeli policymakers, pointing to Mr Saddam, remain deeply distrustful not just of Arab leaders, but also of Arab society which they still regard as inherently undemocratic, unstable and hostile.

While these issues will not crystal-lise until the Gulf crisis is resolved. the government must get on with the job of absorbing the Soviet immigrants. If it can be achieved successdrilly, the prize for Israel is much greater demographic security — one senior figure spoke of "critical mass" — greater economic vitality and, as a consequence, a stronger position from which to deal with the Araba.

which to deal with the Araba.

But such a goal will not be easily stained. Already the country is close to exhausting its housing stock, raising the prospect of many immigrants having to live in tents. The costs associated with such an influx are huga. The trade gap alone over the next five years is expected to be \$30 hr, about years is expected to be \$50hn, about three quarters of annual gross domestic product. In the same period, \$40,000 new jobs will be needed just to keep unemployment steady at its present level of 10 per cent. The inflation risks associated with such figures

The nightmere that lurks behind altyah is of thousands of disgruntied immigrants without jobs and proper perhaps clashing with established communities blaming them for their economic woes. Mr Sbamir and his colleagues know that such an outcome carries scarcely less of a threst to the fabric and wellbeing of Israeli society than the shadow of Mr Saddam looming in the east or the scenes of violence in Israel's holy places.

Caring owner needed

 Some think it is the most elegant building on the Thames. Others think it it is a French-Canadian chatasu

Discreetly floodlit, London's County Hall is looking at its nings as one crosses Westmin-ster Bridge. Up-river over Chelsea Reach there is an afterglow in the sky which Turner would have appreciated. The hall seems just right for its central

Whatever your view, the hall rarely falls to arouse strong passions. And after more than four years without a proper function it again faces uncertain future now that its projected sale to an Anglo-Japanese consortium for £185m It saw high jinks on March

31 1986 when the left-wing Greater London Council was abolished. There was dancing through the night. Meanwhile typewriters and other moveable goodies were being passed out through the back windows, Cleaning up took rather a long time after that. But the London Residuary Body (LRD) assures me that everything

is shipshape inside now.

LRD itself moved its 1,500 staff out this month to a leased. building on the other side of river so that the planned sale could be completed. While the hall remains empty it will have to pay for an army of several If the hall is not to become

a conference centre, hotel. offices, and flats, as the consortium had intended, what is its future to be? Ideas have included a London amusement centre, a night shelter for the homeless, and a gigantic supermarket

Only the length of Westmin-ster Bridge from the Houses of Parliament, it once could have provided a solution to the lack of offices for MPs. But now office conversions are alleviating their problems.

Observer

Can anyone suggest a digni-fied new use for County Hall preferably one which doesn't involve its owners, the citizens of London, giving it

His UN hat David Shilling, the

upper-class milliner known at Ascot as the mad hatter of the turf, is this week taking his creations to Ecuador in a bid to jolt the country's hat industry out of recession.

The United Nations has asked the flamboyant British designer to lead a mission to the country which gave hirth to the Panama hat. His brief is to promote international

le with artisans. Shilling, whose work has graced catwalks from New York to Moscow, yesterday sported a jaunty felt creation and predicted his trip would be like rediscovering Amer-

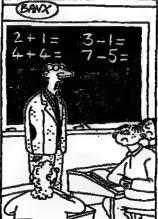
He hopes his advice will help reverse the plight of the straw industry in Ecuador, which reties on but exies. The UN is serious about the importance of the trip. "His major objective will be to sen-sitise artisan producers to the fashion and quality require-ments for positioning their products in western consumer

marksis", saya a spokesmen. Ecuadorean styles may soon be gracing the heads of the European rich and famous.

New justice

There is Intense US media and public interest, and high passions have been aroused, over the matter of whether Micheal Milken, the former "junk bond" king at the failed investment bank Drexel Burnham Lambert should go to

He could get up to 28 years, or receive no more than a com-



Can anyone tell me how many months to a June

munity service sentence.
It would be a tricky ass ment for any judge. And for Judge Kimba Wood, who was appointed to the bench only two years ago, and who has so far only presided over more routine cases, it will her bap-tism of fire when the hearing starty tomorrow. Yet the newest federal judge

in New York shows every sign of keeping a firm grip on her courtroom. Last week, for example, she sweetly punctured a long and increasingly impassioned speech from Arthur Liman, Milken's sleek and experienced lawyer, by telling him that he was "preaching to the converted" on his final, relatively technical point.

And, when an attorney for certain state pension funds esked to intervene in this week's hearing of Milken's "unadmitted crimes", she neatly suggested that written questions could be submitted to her clerk. The lawyer was left offering effusive thanks. Softly-spoken, and in her mid 40s, Wood comes from an

and the state of the experience of the state of the state

army family. She passed through the London School of Economics and Harvard Law School on her way to the New York law firm of LeBoeuf, Lamb, Leiby & MacRae, There, she became a partner in the late 1970s, a notable achievement for a woman in those days.
She is also reportedly fund.

of growing roses and vegeta-bles – a suitably patient pursuit which she might recommend to Milken now that he has time on his hands.

Mornin' Guy! ■ Early-morning strategy

were sombre affairs yesterday after the rapid dissipation of ERM euphoria. But they were tinged with puzzlement. According to Reuters screens, the Bank of England's zovernor, Robin Leigh-Pember on said in Tokyo that Britain's economy was sound and that interest rates were due to fall because of economic trends. Strategists were not quite sure why the Bank was predicting future interest rate cuts to the Tokyo bureaus of news

By the time meetings fin-ished, however, the predictable truth had emerged. Of course Leigh-Pemberton had not said interest rates were due to fall. He had said inflation was due

What Chase? ■ My joke on October 1 about

Chase Manhattan merging with the National Bank of Poland (Is that good news or bad news?), was no more than

But real life can always beat fiction. Solidarity has now signed an agreement with Chase International Corporation of the US to set up a Polish hank.

Chase Manhattan, however, denies all knowledge of the deal, and is even now trying to discover the identity of its

Your money can 🧢 now earn up to with Lombard If you have £1,000 or more to invest your money could _ by serving a handsome 14.00 % pain a Lomberd One Year Fixed Account. The rate is fixed and guaranteed not to change during the period of the deposit, interest is paid as a lump sum at the end of the period. Or perhaps you would prefer to have your savings more readily available. Our 14 days notice account, minimum 15,000, pays an attractive variable rate, currently 14,25% pa, credited quarterly, equivalent to a compound annual rate of 15,03%. account from our comprehensive range of sterling savings and deposit accounts to meet your Don't miss this opportunity to put your money to work—write now for a copy of the Lombard Savers & investors brochure No., 1297 or simply complete and post the As an additional benefit for overseas residents all interest is paid without deduction of tax. Rates are correct at time of going to press. **Lombard** The Complete Finance Service Deposit Accounts To: Stephen Carter, Lombard North Central PLC. Banking Services Department 1297, 38a Curzon St. London WIA 15U England. 18t-0737 776861 osses assid me without any obsigation a copy of your Severa and investors brochard ment rates, (PLEASE WRITE IN CAPITAL LETTERS) Registered in England No. 337004, Registered Office: Lomberd Hot 3 Princess Way, Rednit, Surrey RH1 1NP, England.

resident François Mit-terrand could not have chosen a more difficult and uncertain moment in the fortunes of the world civil aircraft industry to open in Toul-onse today one of the world's largest aeronautical complexes. ered by souring first prices and the threat of recession, airline balance sheets are coming under mounting pressure, firestening to bring to a pre-mature end the surge in new aircraft orders of the past few

The new Toulouse facility was conceived three years ago by Aerospatiale, the French state owned serospace group, at the start of an unprece-dented commercial streraftdented commercial aircraft-buying cycle. Involving indus-trial investments totalling about FF(7)m (500m) on a 120-acre site and at other Aerospat-iale plants, it was designed to prepare for production of the latest members of the Airbus passenger aircraft family: the A340 four-engine, long-range jet and the A320 twin-engine, medium range airliner. medium range airliner.

Europe's biggest industrial building a giant FFrfim high-technology, partly-robotised aircraft assembly hall to rival Boeing's huge Everett facility built 20 years ago outside Section for the production of Seattle for the production of the 747 jumbo jet. Ironically, the most pressing

houlcally, the most pressing question today is not so much how efficiently Airbus can manufacture aircraft to compete against its US rivals, but whether the market will ultimately provide the necessary valume of orders to ensure profitable production. The euphoria that swept the airline and aircraft manufacturing industries in 1987 when Associated industries in 1987 when Aero-spatiale launched its Toulouse

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spatiale launched its Toulouse investment programme and was still prevailing barely 12 months ago, has now been replaced by deep foreholding. With the US economy moving into recession, the world's largest civil aircraft market is entering a period of heavy imbulence. Growth in Europe is slowing down. High interest slowing down. High interest rates and soaring jet fuel prices are hurting airline bal-ance sheets. Banks, the princi-pal source of financing for new aircraft purchases, are coming under pressure. The continued uncertainty over the Gulf and

fuel prices are making the future look even bleaker. Aircraft makers have tried to put on a brave face recently. On both sides of the Atlantic they have argued that aircraft buying was bound to peak at some stage and that although the market was showing signs of softening multi-million-dol-lar carters have continued to flow in. "We expect the situaAs the new Airbus plant opens, Paul Betts asks whether the volume of orders will ensure profit

Aircraft industry faces hard landing

we are still winning big orders," said an Airbus official after the European group announced two large orders for its A320 narrow-body airliner last week: a \$5bn deal from America West and a \$1.8bn order from Swissair.
Airbus, Boeing and McDon-nell Douglas are still forecasting a \$700bu-\$300bn potential market for new jet airliners during the next 20 years. Long-term sir travel demand will grow, they claim. Airlines will also be forced to retire old aircraft and replace them with more fuel-efficient and environ-

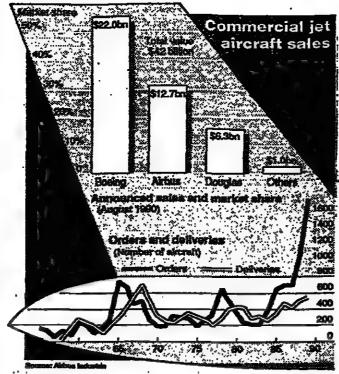
more fuel-efficient and environ-mentally-friendly aircraft.
But privately they are acknowledging that some of the "firm" orders on their bulg-ing civil sircraft order books are beginning to look less firm. Indeed, some airlines have already started to defer deliv-eries of new aircraft on order. IS Air recently amounced it US Air recently amounced it was postporting delivery of 18 new Boeing 737 twin engine jets for several years to get its balance sheet in order. Aircraft manufacturers con-ede that an extended period of

high oil prices could have a acvere impact on the industry.
Mr Lou Harrington, head of McDonnell Douglas's MD11 trijet programme which competes directly against the new Airbus A340/A330 programme, suggested at the Farnborough air Show last month that such an eventuality could have deventuality could have deventuality could have deventuality could have deventuality could have deventually commercial jet aircraft demand by more than 45 per cent with the potential loss of about \$250 km method business about \$380bn-worth of business over the next 20 years. If oil prices remain high for only a relatively short period, new aircraft demand was still likely to be cut, but by a less dra-matic 10-15 per cent.

For Airbus, the threatened downturn in the civil sircraft cycle comes at a delicate time, when the European conso tium is entering an important chapter in its tumulituous 20year history. The four Airbus

industrial partners and their respective governments are

now trying to transform the consortium into a more commercially-oriented enterprise. The ultimate plan is to turn



Airbus into an ordinary public limited company run on entre-preneurial private sector lines. Although the four partners say this change will still take two to three years, they claim the Airbus system has already made enormous strides to improve its overall productive and management efficiency. The latest FFr7bn French investments form part of this attempt by the partners (Aerospatiale, Deutsche Aerospace, British Aerospace and Casa of Spain) to make Airbus more

The Toulouse facility breaks new ground in commercial sir-craft manufacturing by using a modular concept instead of the traditional assembly-line sys-tem to achieve maximum flexibility and reduce the produc-tion cycle. After the initial assembly of the wings on the fuselage, each aircraft is placed in its individual dock where it in his harvillan lock where it remains for the rest of the entire final assembly process instead of continuing to move down the assembly line. Aerospatials says its assembly oper-

ation will make it possible to produce A340 and A330 aircraft at a rate of seven a month. Mr Jean Pierson, the ebul-lient Airbus chairman, announced with theatrical éclat at Farnborough that Airbus would make a profit this year for the first time. Orders have already topped 1,500 air-craft, and more than 600 have been delivered to customers. Airbus production will amount to about 100 aircraft this year and would have totalled 130

and would have to the long and costly BAe engineering strike which caused considerable friction between the partners. By 1995, annual production is expected to rise to about an atmosphism. 230 aircraft, The A320 computer con-trolled "fly-by-wire" narrow-body aircraft has become the fastest-selling new airliner in the past three years. Mr Pierson claims Airbus has now gained a big advantage over Boeing in the market for new twin-engine wide-body aircraft by developing its A330 well before the rival US group's

767X wide-body twin which has yet to be officially launched.
But although Airbus expects to report a paper profit for the first time, it does not follow that its four industrial shareholders will start reaping any significant return for the capital which they have ploughed into the consortium.
Under the contorted Airbus

Under the contorted Airbus system, the four industrial partners are both shareholders and subcontractors of the Toul-ouse-based Airbus Industrie (Al) consortium. They supply and are paid by AI for their share of work in the programme. But at the end of each year, they have had up to now to cover Al's losses in propor-tion to their respective stakes. A report by Gellman Research Associates of the US estimates that Airbus partners have so far had to cover losses of more than \$20hn on Airbus production by subsidies. But with Airbus programmes maturing, the consortium's cash flows are expected to turn positive. This has in turn added ammunition to the US government's case that there as no longer any reason for European governments to continue subsidising Airbus production. The US threatened to take the issue to the General Agreement on Tariffs and Trade (Gatt) last month. However, when the content of the con ever, Washington subsequently withdrew the threat after prog-ress had been made between the two parties in the negotiations to resolve the dispute.

If Airbus Industrie, as Mr
Pierson predicts, makes a profit this year, the partners will receive a dividend. For Professor Roland Smith, BAe's chairman, this would be a "major step forward" but he also recognises that the consortium still has a long way to go before producing a real return. Moreover, AI conducts all its business in US dollars and its accounts are thus not subject to swings in the dollar exchange rate. This is not the case for the individual partners which have had to absorb the full impact of the lower dollar, Airbus and its partners believe the consortium will believe the consortium will become one of Europe's biggest industrial groups by the mid-1990s with an annual turnover of about \$15bn. With its broad family of airliners, Airbus expects to command at least 30 per cent of the commercial sir-craft market during the next

few years, and for certain categories like the A330 wide-body twins as much as 48 per cent. But if Airbus is to convert its impressive marketing success story into financial success, much will depend on whether the market for new commercial sircraft will continue defying

the laws of gravity.

Britain's entry into the ERM

Fixed exchange rates and the lessons of history

By Douglas Jay joining the ERM were used

from 1920 to 1925 for fixing the dollar-sterling rate of exchange

at the historic \$4.86. This

at the historic \$4.36. This would, we were assured, achieve "stability", and a "strong currency". For a few months in 1925 the fixed rate was greeted with suphoria. But by the end of that year the economics of the coal industry colleged and 1925 brought not

collapsed, and 1926 brought not stability, but a six-month coal strike, the General Strike.

long-drawn-out unemployment and an irresistible run on ster-ling in 1931. Keynes had esti-

mated the over-valuation in

1825 as 10 per cent, much less

than it is today.

In the UK after the 1931 depreciation, a remarkable recovery occurred. The freeing of the exchange rate enabled

interest rates to be reduced. The Bank rate dropped to 2 per cent at the time of the June 1932 War Loan conversion and

stayed there for 20 years. UK

unemployment steadily fell.

Manufacturing output rose 58 per cent (in real terms) between 1932 and 1937. Yet in

these same years after 1931, France, Belgium, Holland, Switzerland and Poland formed the "Gold Bloc", an almost exact prototype of the ERM.

Gold parities, and therefore mutual exchange rates, were fixed, and central banks worked together. From 1931 to 1935-36 all these countries suf-

fered deepening depression and unemployment until Belgium

broke ranks and devalued in 1935, followed by France in 1936; when recovery began. After the 1839-15 war the UK devaluation of 1949 was an

adjustment to the econon

facts of the postwar world; and was followed by a UK balance

of payments surplus in 1950 and throughout most of the 1950s. In the view of Sir Alec

Cairncross ("Sterling in Decline") that devaluation restored balance between the whole sterling and dollar worlds. The 1967 depreciation

gave us nearly 71bn in payments surpluses in 1970 and

1971, with low unemployment and without oil. Similarly, the

German economic miracle of

the 1950s was very greatly

helped by a much undervalued DM, which was shrewdly devalued with sterling in 1949.

The right exchange rape for

ebate on the UK's adherence to the ERM has been conducted far too much in terms of economic and political doctrine. A hard look at the actual economic experience of recent years may therefore be useful. Such a look prompts the conclusion that if UK adherence means a that if UK adherence means a fixed sterling exchange rate with the D-Mark, the effect would be highly damaging to this country. And if it does not, nothing will have been gained by joining. In any case, fixity with the EC currencies will still mean floating with the currencies of the rest of the world, with whom we do half

word, with which we do had our trade.

The exchange rate is a price like any other, which brings different economies into some sort of balance. If you fix it, you will just as certainly generate inhalance electrics of oil or you permanently fixed the price of oil or yets of income. price of all or rate of income tax. Unfortunately public opinion swings every 20 years or so between demanding floating rates when they are fixed, and fixed rates when they are float-

History shows, first, that exchange rate levels are more important than ever, and sec-ond that the UK is particularly sensitive to them. Between mid-1979 and November 1980 the sterling rate against the dollar rose from \$2 to \$2.45. There followed the sharpest fall in UK real output in a three-year period since 1850. Real manufacturing output fell 20 per cent in three years. Unemployment rose 60 per cent in the 18 months up to January 1981, and for the only time in UK history the rise continued

for seven years. for seven years.

Then, sterling fell 30 per cent against the D-mark between July 1985 and February 1987, with dramatic results. In 1986, unemployment started to drop for the first time for seven. for the first time for seven years. Nigel Lawson discovered that he had performed, though unintentionally, an economic miracle. Meanwhile in France and Italy, which had joined the ERM, unemployment was steadily rising and is today well above UK levels. France's total unemployed doubled in the years between entry to the ERM and 1949.

All the arguments used for

any economy is that which will enable it to use its full capacity and achieve a sustainable balance of payments. Sterling is therefore demonstrably over-valued today, probably by 15-20 per cent in the view of Professor Wynne Godley and fellow authors ("Britain's Economic Problems and Policies In the 1990s" IPPR), Those who now believe that

the "discipline" of a high exchange rate would somehow restrain further rises in pay rates and prices are, I fear, misleading themselves. Pirst, because most pay negotiators are not themselves unemployed, and second because exorbitant salaries earned in the City have made any putri-otic or moral appeal for moderation useless. In these circumstances, big and small companies, squeezed between weak demand and rising pay rates, would more often be dis-ciplined into liquidation. But the greater error of believers in this discipline is to forget that any rise in prices due to a lower exchange rate, needed to correct overseas deficit, is simply the real premium which a nation charging too much for its goods has to pay for getting back into balance.

Britain has now deprived itself of import controls, exchange control, incomes poli-cies, low-cost food imports, and credit controls. The only instrument left for curing our huge balance of payments deficit is, therefore, the exchange rate. To give it away seems to me a strange decision. And the most probable outcome must be expected to be a few months, perhaps weeks, of euphoria, followed, as in for-mer years, by a worsening pay-ments deficit, a weakening pound, higher interest rates, loss of reserves, and rising

unemployment Moreover, in the case of persistently weak exporter like the UK the rate which is right one year will be wrong two or three years later. Until the fun-damental weaknesses and handicaps hampering our econ-omy are remedied, the need is for prudence and not gratuitous adventure.

The author is a former Labour MP, financial secretary to the Treasury and president of the Board of Trade.

LETTERS

Challenges tackled by the accountancy profession

From Mr. Michael G. Lackiss.
Sir, Your editorial comment and David Waller's article ("Accounting under scrutiny," and "Profession told it has failed to honour pledges," October 4) threw down some challenges to the profession. In all the most important respects those are challenges which the profession recognised for itself and has either tackled or is doing so.

doing so.

On accounting standards:
the new system under the
Financial Reporting Council
(FRC) and the Accounting
Standards Board (ASB) is a
direct result of the review.
which the profession set up.
The former Accounting Standards which the profession set up.
The former Accounting Standards Committee (ASC) did
excellent work over an
extended period, ASC's problems lay less in being hamstrung by the politics of the

From Mr D.M. de Yong.

Sir, Your editorial comment
("Accounting under scrutiny,"
October 4) was extremely apt.
The investor, whom this government wishes to encourage, has much to weary about valuations of "off balance sheet" debts and leasing contracts, also the obtuse ruling of the Lords re auditors liability in the Caparo/Fidelity takeover.

Can an auditor stand up to a powerful chairman/chief executive, especially when the client represents a large part of his firm's revenue? Perhaps the parameters of qualification need strengthening, or maybe

professional bodies them in the obstructionism of some large companies which did not like the impact of certain standards on their freedom to report exaggerated earnings per share. (The sage of inflation share. (The sage of inflation accounting is a good example). Now, as before, the first duty to comply with accounting standards rests on directors. But the Companies Act 1989 gives the ASB some teeth to ensure compliance. The profession welcomed this change for which it is paying \$1.2m a were which it is paying £1.2m a year to the FRC (nearly three times the cost of ASC).

On auditing practices and guidelines: the accountancy profession has taken the initia-tive in order to restructure the Anditing Practices Committee (APC) which, like the former ASC, already has a strong rep-utation for international excal-

reporting to a "special" committee.
I have always thought that when the going gets tough, like now, the mistakes missed by auditors turn up. D.M. de Yong, 34 Addison Avenue W11

From Mr C.C.H. Beresford. Sir. Your accounting editorial includes the sentence: "There have been times when the accounts have appeared more like public relations doc-uments than the work of independent auditors acting in the interests of shareholders".

I am sure this is loose lan-

lence. Leter this autumn, the consultative committee of accountancy bodies will be looking at proposals to widen APC's representation, to streamline its decision-making and to increase its staff

The reformed APC will, we expect, play a key role in the development of future professional guidance and standards for anditors, compliance with which will be monitored through the audit regulatory regime being discussed with the Department of Trade and Industry. This regime will be the third area of change for the

Mr Waller tries to have it both ways by alleging that the profession was defeated by the government in trying to ensure a weak regime (which is untrue) and that the frequency

guage on your part rather than ignorance of the fundamental point that the presentation of accounts is the responsibility of the board of directors of a limited company rather than

the auditors.

But I am not sure which is
the greater sin. If the editor of
the leading financial newspaper in Europe disregards this
point, how can the business
community as a whole be expected to appreciate it? C.C.H. Beresford, Dryden House, Burtons Way, Chalfont St Oiles,

of monitoring will be inade-quate. The fact is that the pro-posed monitoring regime will be the first time that firms of anditors have been routinely inspected by outsiders, at a total extra cost of sain a year. By any measure this is a radi-cal change for the auditing pro-fession. I suggest that Mr Wal-ler, and others, should give this fundamentally new system

a chance to work.
Finally, my institute has just undertaken a major review of its professional discipline arrangements to ensure that they are tough enough for the modern commercial world. The results of that review are now out for consultation. Michael G. Lickiss,

president Institute of Chartered Accountants, Moorgute Place, BC2

Too much joy

From Mr Sum Williams.

Sir, Your review of Britain's entry into the ERM on Saturday was excessively jubilant. In four pages you did not discuss any of the limitations.

In a system of fixed exchange rates, what mechanism is available for macroeconomic adjustment between nations? How is Britain or Spain to deal with gaping current account delicits in the face of Germany's greater productivity growth?

ductivity growth? Sean Williams,

The government could stop blaming the statisticians now

str. The view is gaining ground ("Reconomists open inquest on Lawson era," October 4), helped partly by the recent issue of the Treasury Bulletin, that the economic mismanagement of 1987 and 1988 about 1988 ab mismanagement of 1987 and 1988 should be attributed to inaccuracy in the aconomic statistics, and is therefore not the government's fault. It is surely time to try to quantify the basis of this claim.

The best measure of demand in the economy is the level of gross domestic product (GDP) at current prices. This identifies the money value of total spending and total output. There is, of course, the very important question of the extent to which this value meaimportant question of the extent to which this value measure of output is reflected in quantities and the extent to This would appear to support

ate a marked increase in the rate of growth of GDP at current prices in the hope that cutput rather than the price lavel would respond.

To investigate whether the statistics should be blamed, we need to examine the money GDP data as they first expressed. They can then be

appeared. They can then be compared with the current perception of the period.

It is apparent from the figures that growth in money GDP was underestimated in 1987 and 1988. The error was weekly less than 1 per cent per rarely less than 1 per cent per annum and in the first quarter

the government line.
But a more critical look at the figures suggests that they should not be blamed for economic mismanagement. The rate of growth of money GDP in early 1987 was believed to be around 7 per cent per annum (but was in fact 8 per cent). A bellever in the Thatcher economic miracle might think that productive potential was growing at 4 per cent per annum with the implication that this rate of growth of

money GDP was consistent with inflation of 3 per cent per annum. Not quite the zero inflation we were promised, but not too bad either.

By the time of the 1988 Rud. By the time of the 1988 Budget someone relying on the data as published would have concluded that the rate of

with a favourable supply side response delivering 4 per cent growth, this would imply underlying inflation of 6 per cent per annum. Those sceptical of the Thatcher miracle would have seen the situation would have seen inflationary. In as much more inflationary. In any case, many of us would be very interested to hear why the government thought that large tax reductions and interest rate cuts were a sensible policy in the light of the evidence they had of the increase in demand. Unfortunately the 30year rule means we may have to wait a while to find out. But the government could stop hiaming the statisticians now.

M.R. Weale,

Faculty of Economics
and Politics,

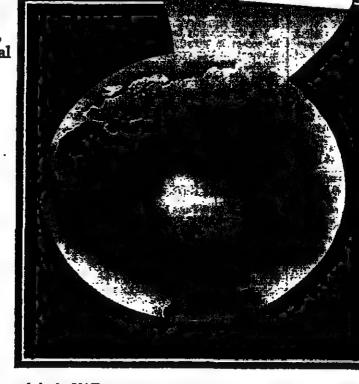
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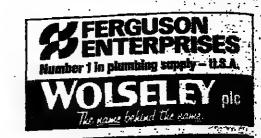
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Soviet bank law clears first hurdle

By Quentin Peel in Moscow

LAWS creating a semi-independent central bank and laying the foundations of a commercial banking system were yesterday given a first reading by the Supreme Soviet

tem, if it survives the parliamentary committee process without much amendment, will have federal aspects, in some ways resembling the US Fed-eral Reserve system. The future bank would be

ultimately responsible to the Supreme Soviet, not to the

Supreme Soviet, not to the Soviet government.
Its board of governors would be dominated by nominees of the central banks of the Soviet republics. But those banks would have to delegate their powers over money supply and credit to the union central bank.

By tan Rodger in Tokyo

ONE of Japan's most senior

industrialists was sentenced to two years' jail yesterday,

suspended for three years, for taking bribes from the Recruit

publishing group.

Mr Hisashi Shinto was accused of taking the bribes

while be was chairman of Nip-pon Telegraph and Telephone, the privatised utility, three

years ago.
The sentence was auspended.

because of extenuating circumstances. Mr Shinto is 80.

Tokyo district court also imposed a Y22.7m (\$173,200) fine on Mr Shinto, saying that he had to bear much blame for

having seriously undermined

Mr Shinto's resignation from NTT in December 1988 was the

Judge Takeshi Okada of the

- Gosbank - of the USSR has be approved by the Supreme been drawn up after wide international consultation, including the Bank for International Settlements, in an effort to make the organisation com-parable with western institu-

under the jurisdiction of the Council of Ministers, the country's executive government, its chairman and two deputy chairmen would be appointed seven years, compared with only five for other government

ropriating savings from the state banking system to finance budget deficits, the central bank will in future be required to draw up an annual directive on money supply, to

first shock in what came to be known as the Recruit scandal,

an affair arising from revela-

tions of large-scale buying of influence and favours by Mr

Hiromasa Ezoe, the Recruit

chairman, from politicians and

leading businessmen.
It ultimately led to the resignation of Mr Noboru Takeshita
as prime minister in May 1989

and tarnished the reputations of several other leading politi-cians, including Mr Yasuhiro Nakasone, a former prime min-

Mr Shinto had a distin-guished career in the ship-building industry before taking

on the challenge in 1979 of leading NTT into the private sector. He encouraged it to help Recruit develop a data communications business and

A new law on the state bank

Industrialist sentenced in Recruit trial

Although it would come

In an effort to prevent the traditional Soviet government practice of printing money and

Once approved, the directive could not be altered by the government without parlia-

the experience of the US Federal Reserve and the German Bundesbank", according to Mr Dmitri Menshikov, chief economist in the international monetary and economic department

The key to approval of the new legislation will be the response of the 15 union repub-lics, who must be persuaded that their own economic "sov-ereignty" will be adequately protected.

The new law lays down that the federal bank will be responsible for a single cur-rency, conducting a single monetary, credit and foreign

in return received a large allo-cation of pre-flotation shares in

Judge Okada said yesterday:

"The defendant's criminal

responsibility in the case is extremely great in view of his social status, the case's social impact and NTT's status as a firm designed to serve the public." He recalled that Mr Shinto had tried to come up the share

a Recruit subsidiary.

However, the new Soviet mania for devolution means that, in addition to the 15 union republics, another 20 so-called autonomous repub-

lics" are demanding some say in the new central bank. "Each republic seems to think that they should keep hold of their own bank, in order to provide their own source of money," Mr Viktor Gerashchenko, Gosbank's hairman, said yesterday. He added that the new laws

made no change to two key monopoly banks in the state system: Vneshekonombank, responsible for foreign eco-nomic transactions, and Sher-bank, the state savings bank. Vnesbekonombank gnaranes Soviet sovereign debt.

"Only when our external payment situation improves can it become a real commercial institution," he said.

Negotiators to speed up work on Uruguay trade talks

By William Dulliorce

A SPEED-UP in work on the Urnguay Round round of world trade liberalisation talks was agreed by negotia-tors meeting in Geneva yester-

The December deadine for concluding the four-year round, covering 15 trade areas from agriculture to services and tariff reductions, had been threatened by failure to adhere to a timetable for completing sections of the overall agreement set down by the Trade Negotiations Committee. Trade Negotiations Commit-tee, the round's governing body, in July.

The talks have reached

impasse in a number of crucial areas including farm trade reform where they have been tripped by wide differences between the US and the Europeau Community. A break-through in agriculture is gen-erally regarded as the key to the success of the whole

Mr Arthur Dunkel, director general of the General Agreement on Tariffs and Trade (Gatt), yesterday read the riot act to negotiators at a meeting in Geneva. He warned that the ambitious attempt to liberalise trade could go down in history as "the round of lost opportu-nities and relaxed negotia-

However, he said, the EC and the US had how confirmed that they would each submit their proposals for reforming farm trade by next Monday.

On that day also, Community farm ministers will meet to reconsider the RC plan put forward by Mr Raymond Mao-Sharry, agriculture commissioner. They had rejected his plan earlier this week.

The US proposal, mean-while, has been delayed by the dispute over the budget in Congress.

As part of the effort to accelerate work on the round, nego-

As part of the effort to accel-erate work on the round, nego-tiators in Geneva, reinforced by senior officials from their capitals, will from next Mon-day move on to a three-shift — morning, afternoon and evening — daily schedule, Mr Dunkel said. Under the new deadlines accepted by negotiators yester-day, agreed texts on nine

tion of goods, government pro-curement, and the revamping of Gatt's dispute settlement system, are to be ready by October 19.

October 26 has been accepted as the deadline for agreements on the hotly disputed revisions of Gatt's anti-dumping and subsidies codes and agreement rules for for-

reform, liberalising of trade in textiles and clothing, new rules for intellectual property be taken by governments to protect industries against import surges, are scheduled to be finalised on November 1.

Finally, an agreed text on liberalising the \$600bm a year trade in services is to be ready by November 12. The state of the talks will then be assessed in the following week, leaving two weeks for documents to be prepared for the ministerial meeting in Brussels.

had tried to cover up the share purchase by putting it in the name of his secretary and then initially denied his involve-Shinto will appeal. In separate trials, other defendants including Mr Takao

Fujinami, a former chief cabi-net secretary, have denied that what they received from Recruit amounted to bribes.

Ford adopts tough stance in Jaguar pay talks

By Michael Smith, Labour Correspondent, in London

JAGUAR, the luxury British car maker, is demanding radi-cal changes in working prac-tices as part of the most comprehensive reform package any uk car facturer for years.

The company said that any pay settlement would be condi-tional upon the removal of demarcation lines between jobs

Jaguar warned its 11,000 manual workers that unless they agreed to the changes they could not expect a settle-ment any better than the last one. That agreement, lasting two years, led to rises of 4.2 per cent and 4 per cent.

The company's tough stance coincides with a demand by unions for rises in line with the awards made at Ford and Vauxhall, which were in excess of 13 and 12 per cent respec-

For years Jaguar has trailed significantly behind its competitors in the introduction of

working practices.

Mr Bill Hayden, the chairman of Jaguar, who was appointed following Ford's takeover of the company last year, said earlier this year that it would be necessary to remove the demarcations at Jaguar plants that had disap-peared at Ford plants 15 years

Among the most significant changes it is seeking is an end to the quota system of working, whereby employees are allocated a specific quantity of tasks each day and then stop productive work once these tasks have been performed. Instead, it wants "full shift working." It also wants work-

• Take individual responsibility for quality, including self inspection of work.

by the US difficulties with its budget deficit—the pound closed aimost unchanged at \$1.9705. The dollar touched a record low of DM1.5195 in Europe yesterday as the chaotic process of US budget-making continued against the back-ground of rising Gulf tensions. The cut in UK interest rates • Acquire and use new skills and be trained to apply process improvement techniques; was thought to be a factor in sterling's fall. Analysts said that further cuts would under-Commit themselves to "never ending process improvement", to be accompamine sterling's attraction as a

nied by participation in work-place discussions led by super-• Agree to "practical steps" to

reduce unofficial work stop-One union leader said last night he thought a deal could be achieved in spite of the com-

British Conservatives split over European integration

By Philip Stephens, Political Editor, in Bournemouth, England

DIVISIONS within the British Conservative Party over European integration were reopened yesterday by Mr Nicholas Ridley, the former trade secretary, in a sharp attack on the Thatcher government's decision to take sterling into the EMS exchange rate

His judgment that it would be impossible to maintain a "stable relationship" between sterling and the D-mark came as Mr Michael Heseltine, the former defence minister, called for membership of the ERM to mark the first stage in a more positive British approach to

the European Community.
The two speeches at the Conservative conference in Bournemouth, marking out the respectives poles within the party over Europe, coincided with confirmation that Mrs Margaret Thatcher, the prime minister, will face pressure from cabinet colleagues to tone down her opposition to a single

European currency.
Mrs Thatcher is being urged to accept in principle a com-mitment to the creation of a single European currency when the Community's Inter-Governmental Conference (IGC) on economic and monetary union meets in December. One suggestion is that she

Concern over

UK market

Continued from Page 1

Gulf depresses

vent it weakening towards the bottom of its band. Against the dollar - stricken

high-yielding currency within

The base rate cut had a par-

ticularly negative impact on

the bond market, where prices

fell by almost a whole point as yields on UK gilts lost their

premium over other European

the mechanism.

should agree to a formula under which Britain would sign up with its EC pertners on the goal of a single currency but would retain the right to withdraw before a final com-

five years' time.
Another suggestion envisaccompanied by the qualificavote in the Council of Ministers would be needed in the future before a single currency

could be established.
One senior insider said that
Foreign Office and the Treasury were seeking a way to allow the prime minister to insist that she had not agreed to the "the abolition of the pound", while persuading Britain's EC partners that it was prepared to move in that

There are few signs, how-ever, that Mrs Thatcher is ready to budge, despite her agreement to ERM entry. Mr John Major, the chancellor of the exchequer, has said that his plan for a "hard ECU" could lead to a single currency. Mrs Thatcher insists no com-

mitment has been made.

Downing Street has indicated that the prime minister is planning to warn the IGC that Britain is ready to exer-

Continued from Page 1 the Galilee village of Tamra for a 28-year-old Israeli Arab killed in Monday's clash, and in the Arab town of Taibe, roads were

blocked and tyres set on fire, while several policemen were injured by stonethrowers.

In Arab East Jerusalem, police arrested Sheikh

Mohammed Said Jamai, deputy spiritual leader of Moslems in the Holy Land, on suspicion of having incited the attack. Mr

Ya'acov Turner, the Israeli police chief, said he did not expect further violence in the city. At the same time, he

called on Israeli Arabs to

restrain themselves, saying: "Enough blood has already been spilled."

The Arab world, deeply divided over frag's seizure of Kuwait, joined ranks to con-

demn the bloodshed in Jerusa-

lem. The Arab League denounced the killings as "a horrific massacre" and called

for urgent Security Council

US rebukes Israelis

cise its veto if its partners press ahead with the Delors blueprint.

Mr Ridley's intervention on the ERM angered his former colleagues in the cabinet and was seen by some as an indica-tion of his continued resent-ment at being denied the job of resignation this summer.

Mr Ridley warned that
Britain risked being tied to an

"over-valued" currency.
That prompted Sir Geoffrey
Howe, the deputy prime minister, to emphasise that there could be "no turning back" from the decision to link sterling to the currencies of Britain's European partners.

He also stressed that the government would pay an active and positive role at the

For his part, Mr Heseltine dismissed suggestions that greater economic integration would force any loss of sover-eignty and warned that Britain could not afford to be left could not afford to be left behind as it had been when France and Germany agreed the arrangements for the Com-

munity in the 1950s.

He called for the government to follow up the weekend decision by restoring the independence of the Bank of England. Conference report, Page 10

measures to protect Palestin-ians living under occupation. Western officials said it was

unclear what new missile Mr

Saddam may have been allud-ing to, but they noted that Iraq claimed last December that it

had launched a three-stage rocket capable of putting satel-lites into space. Iraq, in collab-

oration with Argentina and Egypt had been working on a solid fuel rocket, code-named "Condor 2." It has also achieved success in extending the range of Soviet-supplied Sond B missles that were used to his Taken draws the Culf.

to hit Tehran during the Gulf

In Baghdad, an Iraqi Foreign Ministry official said the inter-

national community should force Israel to recognise Pales-tinian rights "in the same severe way that the Security

Council showed in response to the events in the Gulf." The Council has passed eight reso-lutions demanding Iraq's with-

plan to solve

budget crisis Continued from Page 1 reasonable deal."

The main attention is now the main attention is now shifting to the tax-writing House Ways and Means and the Senate Finance commit-tees, which are due to recast the details of the package by this weekend.

Their Democratic chairmen have already indicated a willingness to consider a trade-off between a cut in capital gains tax for an increase in the top marginal rate of income tax. This issue was the most diffi-

cult during the five-month long budget summit talks because of the White House's unwilling-ness to accept higher income

that if a proper balance between capital gains and income tax changes could be worked out it would be fine by

Bush agrees

But yesterday Mr Bush said

The real world

breaks in

The London market's holiday from the outside world has proved even briefer than expec-ted. The chief reason is once more the oil price, back in the news as a result of the shoot-ing in Jerusalem and further minatory noises from Iraq. It is hard to see the Gulf issue receding from public con-aclousness again this side of a resolution. This is not only because the military build-up is reaching its climax. It is also the peak time of year for oil demand, with the result that the headlines are more likely to be concerned with price

rises than price falls.

The paradox is that sterling now seemingly bereft of RRM appeal, might have fared worse yesterday were it not for its yesternay were it not nor no residual status as a petrocurrency. At its close of just 3
D-marks, it is bang in the middle of its permitted range;
eight pfennigs either way and
the authorities would have to
intervene. From the currency speculator's viewpoint, sterling appears neatly poised between opposing forces: on the one hand, the depressing prospect of further interest rate cuts and a resumption of gilt fund-ing; on the other, the fact that with an election in the wind, the UK Government can scarcely afford to devalue. It sounds rather like a recipe for drift. The equity market may not be so lucky.

L&M

These are not the mid-seven-ties. There is no three-day week, secondary bankers are not dropping like flies and the UK's commercial real estate market has not creshed. These market has not created. These truths are worth restating. Times are hard in property, and will get harder in over-supplied sectors like the City of London office market. But in 1974, even the MEPCs of this world wave close to the edge. world were close to the edge.
As Speyhawk has been showing recently, a highly-geared,
go-go developer can trade its way through provided it knows its business. Conditions are not

sta business. Conditions are not so dire that good property companies with sensible boards should end up in trouble.

Hence the 'questions that sprang to mind 'yesterday' at the sight of London & Metropolitan having its shares appended at 80 a saver plight. suspended at 8p, a sorry plight for a company floated at 145p cause, it would appear, was Monday's collapse of the County Hall project, in which L&M is deeply involved. But how did the company find itself in such a pickle?

Cadbury Schweppes Share price relative to the FT-A All-Share index



For now, LaM is not reveal-ing the minutiae of its finances, though on-and-off balfinances, though on and off balance shest net debt was £103m at the last year and its board includes four non-executive directors of the calibre of the chairman, Mr Norman Ireland, ex-finance director of BTR; a former head of property at Standard Life; a representative of RCC, which owns 14 percent of L&M; and one from a real estate subsidiary of France's Suez. One might have expected such a body to heed the warnings from the Governor of the Bank of England on excessive property borrowing. Curiously enough, the Bank's in-house pension fund owns 3.1 per cent of the company.

Euro-index

At first sight, the logic behind yesterday's announce-ment of the FP-SE Eurotrack 100 index seems compellingly straightforward. For the Inter-national Stock Exchange, the index represents an attempt to forestall Continental rivals and protect its lead, courtesy of Seaq International, in cross-border trading of the main European stocks. Some lives-Ruropean stocks. Some lives-tors, particularly in Japan and the US, will undoubtedly see the attraction of buying real time exposure to European markets without facing undne currency and stock-picking complications. The index neatly wraps up the best researched stocks and sensibly includes important non-EC markets.

On deeper inspection, however, it is hard to see the index as anything more than a well timed and constructed first to hint that the quick creation of a linked futures contract will be vital to its success. Buthow many important interna-tional funds will jump aboard a European index which excludes the UK when an all-Europe index is apparently only a few months away? For-the moment, there is more investor interest in exposure to individual countries than to Europe as a whole. Integration has further to go before a sinhas further to go before a sin-gle European investment bloc-becomes a marketable proposi-

Cadbury Schweppes General Cinema's £315m sale of its Cadbury stake recalls a whole vanished world of leverage, mega-bids and the magic of brands. When the Cadbury share price took off in 1968, it was the cade of the control of the cade of the c was primarily in response to the Nestle bid for Rownizes. But Rowntree was not only a far simpler takeover proposi-tion than the diversified Caltion than the diversified Cad-bury; Nestle also had cash in hand. For a while, the market nourished hopes of other hid-ders such as Philip Morris or Suchard. But when the latter fell prey to the former back in June, it was time for the already dog-eared book on the Cadbury break-up to go into the dusthin.

the dusthin.
At yesterday's 312p, the Cad-At yesterday's 312p, the Can-bury price is on around is times current year earnings. Its present growth momentum is such that this is probably sustainable, subject to institu-tional indigestion after yester-day's placing. On the longer view, the shares might now seem unattractively immune from takeover. But should the management stumble, there will doubtless be other preda-tors next time round.

British Steel

Just wait for the next steel industry upturn. It is hard to see Sir Robert Scholey's dogged advance into the European steel business, his latest barget being Spain's Aristrain, making much of a difference this time around. At last night's 124p, British Steel is yielding not much short of 10 per cent prospectively. This suggests, first, worries in the market's mind about the depth of the steel market crunch between now and 1992; and second, reasonable concerns that cash buillays such as British Steel's £500m per amum capital spend, or its string of acquital spend, or its string of acqui-sitions and its rising tax bill, are fast gobbling up the \$531m balance sheet. For the longer term, though, deals like Aris-train are welcome, if only as fresh evidence that the overpoliticised European steel industry is freeing up.

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THE FINANCIAL TIMES LIMITED 1990

Wednesday October 10 1990

INSIDE

Goodman examiner applies for extension



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"ic stel page:

The examiner for Goodman international, the group headed by Larry Goodman (left), is looking for more time to try to unravel the complex financial affairs of refand and Europe's biggest beef processor and exporter. Goodman is heavily indebted to 30 banks and is under the protection of the Irish

courts until the end of the year. But Goodman's creditors are clearly becoming anxious, says Kieran Cooke. Page 33

Itoman tackles identity crisis Itoman & Co, the Japanese trading house, has

unwillingly become a symbol of the property indulgences of corporate Japan. But itoman is determined to prove that it is not a property speculator, amid growing signs that Japan's real estate boom is over and that a fall, if not a private it is not a property. plunge, in prices is a strong possibility.

Why oil prices rises the answers!



The best brains of the oil industry have been trying to figure out why oll prices have doubled since the invasion of Kuwait. At times their analyses resemble the "ercane intellectual meanderings of a medieval scholastic debate" yet the universal conclusion is that the oil mar-ket has displayed more efficiency in passing on price rises to consumers than in previous oil crises. Steven Butler reports. Page 35

Davies & Newman shares drop



Davies & Newman, the perent company of Dan Air (logo left), saw its share price plunge yesterday following criti-oism of the airline from one of the UK's leading tour operating organisations. International Leiaure Group, owner of not be leasing alterest from Dan Air next sum-mer because its alterest were old and inestclent. Paul Abrahama reports. Page 32

Learning the liberalisation ropes As the barriers between banking and securities business are gradually eroded, the question of how to supervise financial conglomerates is becoming increasingly important. Today the world's banking regulators will meet in Frank-furt to tackle the problem for the first time. Katharine Campbell looks at the topics on the

Market Statistics

agenda. Page 30

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LOSEDQUE (Penns)

London exchange unveils European stock index

By Richard Waters in London

LONDON'S International Stock Exchange yesterday unveiled a new real-time stock market index of continental European stocks, signalling an intention to strengthen its grip on cross-border share dealing in Europe. The index, to be called the

FT-SE Eurotrack 100, has been developed in association with the Financial Times. It covers 100 leading continental European stocks and is designed as a "sister" product to the FT-SE 100 index of UK shares. The exchange's move premation system being developed jointly by European exchanges, including the ISE. The length of time taken to develop Pipe, and the danger of a rival index being launched in the meantime, is the reason the London exchange has acted alone, officials say.

The FT-SE Eurotrack 100 is

based on the stock prices of non-UK companies quoted on Seaq International, the exchange's international marketplace. These are continuous prices, unlike those available on many continental exchanges, and the index, updated from minute to minute, will continue to operate outside the trading hours of other European domestic mar-

It will be calculated from 9.45 to 3.30 daily. A second European index, to include UK shares, is planned for early next year. The Financial Times, besides lending its name to the FT-SE Eurotrack 100, will supply the exchange with information about capital changes in constituent companies to enable it to calculate the value of the index. The European Options Exchange in Amsterdam recently launched its own European index, and is understood to be discussing the development of

derivative products based on the index with Matif, the French

Derivatives based on the FT-SE Eurotrack 100 are being considered by the London International Financial Futures Exchange and the London Traded Options Mar-ket, which are planning a However, the markets have yet

to confirm they will use the FT-SE Eurotrack 100, and are not expected to make a decision before next spring, when they have had a chance to assess its performance. One concern is thought to be the decision to cal-culate the index in D-Marks

Nov 87 buys

longer be considered a passive investor" in Cadbury and said that it had lined up \$1bm of funds

At the time many people thought that this was an attempt to finah out a bid from elsewhere. General Cinema's only other

overtly hostile move was in 1989

when it used its stake to delay for some weeks Cadbury's

request for shareholders' approval to raise its borrowing

Cadbury said yesterday that it had not changed its business strategy while it had General

Cinema on the share register. Its pre-tax profits have risen from

to buy more shares.

rather than the Ecu, which is used in the Amsterdam index.

The ISE said it had ruled out the Ecu since it was not a currency used by fund managers in assessing their European investments, and did not offer the same

May 88 buys 4,6m

sheres for £16,3m

45% of **Spanish** steelmaker

Store trice

range of currency hedging oppor-tunities as the D-Mark.

The index, which goes "live" on October 29, is weighted according to the countries' rela-tive capitalisations. Within each By Charles Leadbeater in London and Peter Bruss in Madrid BRITISH Steel is to buy a 45 per cent stake in Aristrain, the pri-vate Spanish steelmaker, as part of a joint venture announced yeacountry, the largest stocks in which there is a liquid market on Seaq International are included, provided there are no trading

terday.

The deal, subject to approval by the European Commission, should revitalise British Steel's strategy for European expansion.
The UK group suffered a setback last month after the collapse of a complex deal with Banesto, the Spanish bank, to buy 80 per cent of Aristrain.

The Spanish government reacted with dismay to British Steel's announcement. Mr Mari-ano Casado, secretary general for industry, said the govern-

ment was "enormously con-cerned" by the deal.

The joint venture would pose a threat to state-owned Ensidera, Spain's largest steelmaker. Aris-train is Ensidera's main dementic competitor in steel sections, which are mainly used in the construction industry. British Steel is the leading European producer of structural steels.

producer of structural steels.

The Spanish government is worried that the proposed deal would open the domestic market to a flood of British imports. Mr Casado said: "Ensidesa could not enter a price war with British Steel — it is too big."

Although the government cannot legally block the deal, it may put pressure on Aristrain to

put pressure on Aristrain to involve a Spanish partner in the

venture. British Steel would not disclose the price of the stake but it is thought the deal would be worth about £114m (£225m). Aristrain has an annual turnover of about £400m and a net asset value of about £225m. The partnership would give British Steel access to the Spanish con-struction market, as well as to Aristrain's European distribu-

tion network.

The two companies have been negotiating for months. British Steel's initial approaches were thwarted when the government tried to put together an alterna-tive bid from Ensidess and Altos Hornos de Vizcaya, Spain's other integrated producer.

However, AHV's be

nowever, Any's pankers refused to finance the deal. In August, Banco Español de Credito (Banesto) announced a deal with British Steel in which they would each take 40 per cent of Aristrain. The deal collapsed when the stock market valuation of Banesto's industrial holdings was cut by the rise in oil prices, Lex, Page 24

empts a similar European index to be based on Pipe, a proposed pan-European share price infor-General Cinema sells Cadbury stake for £315m

By Maggle Urry In London

GENERAL Cinema has walked into the sunset with an \$80m profit after a £315m (\$617m) placing of its 102m shares in Cadbury Schwerpes yesterday. The sale ends almost four years of uncer-tainty for the UK-based confec-tionery and soft drinks company.

cadbury shares fell 23p to close at 312p yesterday, 3p above the placing price of 309p.

General Cinema, the US chema and speciality retail group, will receive nearly \$500m in cash after tax and costs. It said yesterday the sale would add \$1.10 a share to its current quarter earnhare to its current quarter earnings. Its shares rose in response to the news. It said that after the sale it would have \$1.5bn in cash and was "still looking for a new oper-

ating business". General Cinema was once seen as a possible hidder for Cadbury. It said yesterday it sold the shares because it felt taking the profit on them was now the best option for its shareholders. It is thought that General Cin-ema has been trying to sell for over a year but has seen the price

cadbury said it was encouraged by the way the shares were so readily taken up by institu-tional investors, saying this was a sign of confidence in the com-

The sale was a "bought deal" with Barclays de Zoete Wedd Securities and Cazenove, the securities houses, jointly taking the shares on to their own books before placing them. They refused to disclose the price at which they bought the shares. General Cinema appears to have made a small return on its investment when spread over the period it held Cadbury shares. It first bought shares in January

1987, topping up its stake after the stock market crash in Octo-

Jan 87 General Cinema buys 47.5m sheres for £90m

At its peak General Cinema's stake amounted to 18.4 per cent of Cadbury's shares, but that per-centage has been diluted. General Cinema is keeping General Cinema is keeping 13.2m Cadbury shares to satisfy holders of a debenture which is convertible into Cadbury shares. The debenture was issued in May 1987 as a means of financing part of the holding.

During 1988, when Nestlé, the Spice, based confertionery symm.

Swiss-based confectionery group, successfully bid for Rowntree, the UK sweets company, General Cinema announced it "should no

ened from 8.5 per cent to 9.6 per cent in the first half, thanks to a high level of hotel activity in Europe, good progress from the luncheon vouchers business – where Accor is also the world

per cent of net profits in the first half, started the year strongly but has since been hit by the country's recession.

£130.7m in 1986 to £251m in 1989.

while the growth in earnings per share has been slower, up from 14.28p in 1986 to 24.89p in 1989. As part of its expansion strat-egy, the UK group has made a series of acquisitions — notably buying in the minority of its Aus-tralian subsidiary purchasing

tralian subsidiary, purchasing the soft drinks businesses Crush in the US. Citresa in Spain, and

the soft drinks side of Perrier, the French mineral water group. It has also taken over Trebor and

Bassetts, two UK sugar confec-tionery companies. At the half year stage its gearing was close to 00 per cent. Lex, Page 22

first half, bringing the total to 917 by the end of June, to which the acquisition of Motel 6 in July has added another 536. The total of rooms owned and under manage-ment is 131,900 worldwide.

During the same period, the Ticket Restaurant luncheon youther business added 275,000

Accor reports 50% rise in first-half net profits

ACCOR, the world's largest hotel group in terms of the number of rooms under management, yes-terday reported a 50 per cent rise in first-half net profits and forecast a 30 per cent growth in earn-ings for the year.

The results come three months

ofter Accor launched its \$1.3hn takeover of Motel 6, the cut price US motel chain, which came too late to effect the first-half results. Because of its high debts, Motel 6 is expected to make a slightly negative net contribution

to Accor's group profits for 1990.

These would grow from last year's FFr806.im (\$117.91m) to FFr787.9m, according to the group's forecast.

Net profits rose to FFr331m in the first six months of the year, from FFr220.6m in the same period of 1989, on turnover up by 13.9 per cent from FFr9.5bn to FFr10.8bn. Adding in a FFr241.5m extraor-

dinary gain from the sale of a hotel in Paris, cash flow grew by just over 70 per cent from

With the rest from hotels before the Motel 6 takeover, with the rest from institutional catering, restaurants and luncheon vouchers. Accor has borrowed FFr5bn to finance its acquisition of Motel 6, doubling the group's long-term debts to around FFr95bn, where they stand level with sharehold-ers' funds, said Mr Olivier de Sur-ville, group financial controller. Motel 6, which was performing

on target, would again contribute

market leader - and gains from the disposal of loss-making res-Brazil, where Accor serned 10.8

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Maxwell places De La Rue holding in £74m disposal

DE LA RUE yesterday escaped from the shadow of Mr Robert Maxwell, the publisher, when Maxwell Communication Cor-poration's 21 per cent stake in the banknote printer was sold to institutions for £74m

(\$145.76m).
Smith New Court, the stock-broker, placed the holding yesterday at 248p a share — an estimated loss for the Maxwell publishing empire of nearly 250m. Mr Maxwell first bought into De La Rue three years ago at an average price of about

Smith, which was appointed to anction the holding a week ago, is thought to have made a profit of about £1.5m on the "bought deal".

According to other market-





carried out several such deals, took the De La Rue stake on to its books at 243p a share, before distributing it through institutional contacts. Smith

an attempt to improve profitabil-ity. Other measures include concentrating production in fewer plants, reorganising its adminis-trative structure and trimming its product line in napples.
Some 200 of the job cuts, most

Mölnlycke hopes that its rationalisation programme will produce cost savings of between 10 and 20 per cent. It also plans to increase its marketing in

duction costs were leading to lower profits for linerboard, pulp and printing paper, in contrast to the good profits shown by the company's foreign operations.

had an operating profit of SKr98m for July and August. The

packaging division reported a 23 per cent rise in operating profits to SKr456m. This figure included

SKr183m in capital gains derived from the sale of minority holdings in associated companies.

Procter & Gamble, Page M.

refused to confirm how much it had paid for the line of stock. De La Rue's shares slipped 9p

to 254p yesterday.
Mr Jeremy Marshall, De La Rue's chief executive, said yesterday: "We are just quietly satisfied that the situation has been resolved and we can get on with running the busi-

Mr Maxwell has until Octo-

ber 28 to pay off \$415m of short-term debt at MCC and the De La Rue stake was part of a planned programme of dis-posals, some of which have already been achieved. The group may have sold a small part of its holding before yes-terday: Smith placed 29.8m shares, compared with the 30.5m shares Mr Maxwell was

4% and cuts 600 jobs **SCA** falls

By John Burton in Stockholm

SCA, the Swedish forestry group producers. Other Mölnlycke during the eight-month period, that recently acquired Reedpack in the UK, yesterday reported a 4 per cent fall in profits after finan-cial items to SKr1.7bn (\$300m) for the first eight, months of 1930. It hygiene products continued to show good profits. Mölnlycke will cut 600 jobs out of its 11,500 strong workforce in also announced it was cutting 600 jobs at its Mölnlycke hygiene products division. It repeated its earlier prediction that profits for 1990 would

Silde by 10 per cent to SKr2.4hn.
Sales during the eight-month
period increased by 18 per cent to
SKr18.6bn, with half of the
increase attributed to the takeover of Reedpack. Operating profits for Mölnlycke, SCA's biggest division, dropped by 19 per cent to SKr410m, despite a 10 per cent increase in sales to SKr7.9tm. The

profits were hit by a price war with the US group, Procter & Gamble, in the European disposable nappy market, where the

of which were disclosed earlier this year, will occur at Monlycke's Telford plant in the UK, and the rest will be in France and Sweden.

southern Europe, where European sales of disposable napples are lowest. SCA's graphic paper division reported the biggest profit fall

with earnings down by 39 per cent to SKr355m. The drop was blamed on higher production costs in Sweden, lower pulp prices, stagnating prices for newsprint, and a drop in production volume with the shutdown of two paper machines. Mr Sverker Martin-Lof, president, said Sweden's growing pro-

Reedpack, whose results were consolidated in SCA as of July 1,

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It takes a lot of beating.

D (Systems and Information) Ut., ven Limeharbour, Docklands, London El 49NQ, aphone: 071-538 5656. Faz: 071-538 4902.

because the gold price has not jumped as high as some observers expected after the

observers expected after the invasion of Kuwait.

A proposed issue of shares by Amax Gold has been cancelled and analysts have been giving the Newmont issue little chance of getting away.

Mr Graham Birch, analyst with Ord Minnett in London, pointed out that the market was disappointed that Hanson had not found a corporate buyer for all its 48 per cent

they were suffering a loss of funds. He suggested that whether the sale went alread

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INTERNATIONAL COMPANIES AND FINANCE

failure over Newmont shares sale

By Kenneth Gooding, Mining Correspondent

HANSON, the UK-based Anglo-American conglomerate, faces an embarrassing failure of its attempt to release at least \$350m of the \$1.50m it has tied up in Newmont Min-ing, the biggest US gold min-ing group, analysts suggested last night.

Hanson and Newmont hetween them hoped to sell i2m Newmont shares plus 6m warrants. But yesterday Newmont said it would not go ahead with the sale of the 3.6m new shares it intended to

However, Hauson said it still hoped to proceed with the sale of 8.4m of the Newmont shares it acquired in Angust last year when it took over Consolidated Gold Fields of the UK.

the UK.

The market did not take kindly to the news that Hanson kad not yet admitted lefeat, and Newmont shares fell in New York by \$1% to \$38% on the news. They shoul at \$47 hefore the share sale proposal was announced at

lugust 30. Then it seemed that Hauson hoped to raise between \$40 and \$40 a share from the sale of the equity and the warrants, which would entitle each holder to one Newmont

the market could absorb so many Newmont shares; mar-ket conditions are difficult

buyer for all its 49 per cent shareholding in Newmont. He said US gold funds had no appetite for shares because

depended mainly on whether Hanson would be willing to take a paper loss on his New-mont shares, acquired for about \$56 each.

Hanson faces UAL board rejects latest buy-out offer for airline

THE BOARD OF UAL, the parent company of United Air-lines, yesterday rejected a new bid for the US carrier from the employee-led buy-out team.

The buy-out group, compris-ing unions and employees at the airline, has spent more than a year trying to mount a successful takeover of United. After a brief meeting yester-day morning, the board said it had terminated the agreement

into last April.
It dismissed the latest bid by the unions and employees on the grounds that the value was uncertain, but "substantially lower than the April 9 agreement". The board also said the proposal was not accompanied by definitive financing arrangements and "was subject to other algorithms to contingen-

By Louise Kehoe in San Francisco

SHARES of Motorols, the US

manufacturer, plunged by over 12 per cent yesterday on news of lower than expected third quarter earnings. The company's stock opened at \$52, down from \$58% in heavy trading on the New York Stock Pychanas

The company reported earnings of 78 cents per share, up from 69 cents in the third quarter last year but substantially below analysts'

projections of \$1.18 to \$1.25 per

Rarnings for the quarter were \$102m, or 78 cents per share, compared with \$89m, or 69 cents. Third-quarter sales

rose 12 per cent to \$2.70bn from

By Bernard Simon in Toronto

doctronics and penteondu

which it had agreed to enter

cles". There was no immediate response from the buy-out

The buy-out team had not said publicly how much it thought the offer was worth. However, it made clear at the weekend that attempts to raise a \$2bn bank debt facility to fund a predominantly-cash offer had failed, and that the latest bid would comprise less cash and more securities.

Wall Street had speculated that the cash element might amount to about \$70 a share, with the paper portion valued at slightly more:

Based on those estimates, wall street had anticipated rejection by the board, driving the UAL share price \$10% down to \$91 during the past few days before trading was halted yesterday.

Motorola results hit shares

\$2.41hm in the third guarter of

Non-recurring charges daring the quarter were offset by non-recurring gains, the company said.

said one-time charges were associated with the consolidation of its Mobile and Portable Products divisions.

Gains were attributed to the

sale of a building in Massachusetts and payments associated with the settlement

of semiconductor intellectual property disputes. Earlier this week Motorola

announced the settlement of a long-running dispute with Hitachi of Japan over

microprocessor patent rights.

Canadian securities firms cut costs

It did not disclose details but

The board had previously accepted a \$201-a-share offer from the buy-out group which gave each UAL shareholder \$155 a share in cash, with the balance in securities valued at

Rejection could signal industrial unrest at the company. The unions, which have imposed a voluntary moratorium on wage negotiations while the buy-out attempt is under way, have indicated that if the attempt falls, they will attempt to claw back lost pay increases and consider strike

Rejection by the board might trigger shareholders' action. Coniston Partners, UAL's largest shareholder with 11.8 per cent, has threatened to replace the board if it turns down a "reasonable" offer.

For the first nine months,

earnings were \$390m, or \$2.96 per share, compared with \$366m, or \$2.82, a year earlier. Sales were \$7.950u, up from

86.97bn a year ago.

Mr George Fisher, chairman
and chief executive officer,
said new orders in leading

businesses increased throughout the world, despite

economic uncertainty in the

The most rapid growth was in Asian markets.
Our semiconductor

business continued to do well.

Profit pressures in the

communications arena stem from investments that are

premises and is looking closely at its communications costs.

The 72 members of the

Loss of \$26m as Carter Hawley sells subsidiary

CARTER Hawley Hale, the highly-leveraged Californian department store chain, yesterday coupled news of a \$28m loss after tax and extraordinary items in the year to August 4, with an amounce-ment that it was selling its 28-outlet Thalhimers subsidiary to May Department Stores for

Carter said the final sale price, subject to closing adjust-ments which it expected to add further \$15m to the sum received, would help to pay some \$320m of the group's

\$1.7bn debt.

About \$180m of the debt associated with Thalhimers will be paid off, while the remaining \$140m will go to reduce short-term borrowing.

News of the sale pushed Content Hewildy's junk honder.

News of the sale pushed Carter Hawley's junk bonds sharply higher, in contrast to the general declines in the market yesterday morning.

The Thalhimers stores are based in Virginia, North Carolina, South Carolina and Tennessee and had sales of around \$445m in 1989. May, which \$445m in 1989. May, which moves into the Carolinas for the first time as a result of the deal, said that it planned to keep the stores' existing name. The Carter Hawley loss for 1889-90 comes after a particularly poor fourth quarter, when the company saw a net deficit of \$19.5m before extraordinary items, compared with a \$7.3m deficit in the same period a

year earlier.
The loss was struck after a Life charge of \$16.7m, compared with a surplus of \$2.7m last time. After extraordinary items, the fourth-quarter loss decreased to \$25.5m.

deepened to \$25.5m.
The full-year loss stood at \$9.5m before extraordinary items and at \$26m after such charges were included. These figures were scored on sales of \$2.85bn while interest charges totalled \$517.8m for the year.

Procter & Gamble The 72 members of the Toronto stock exchange suffered a combined loss of C\$128.9m in the first half of 1990, up from a C\$1.2m loss a year earlier. Wood Gundy alone lost close to C\$50m in the nine months to July 31. By common consent, the industry's financial performance has deteriorated significantly since then. expects net income of \$1.55 per share

By Karen Zegov in New York

PROCTER & Gamble, the big US household products group, yesterday said it expected to report net income of about \$1.56 a share in the first quar-ter ended September SO.

Both corporate finance hust-ness and trading volumes have dropped sharply this year. According to the livestment Dealers Association of Canada, Mr Edwin Artzt, chairman and chief executive, said vol-ume rose strongly in the three

He said: "I would be remise, however, if I were to leave you with this glowing report and not express some sense of cantion and concern over the gen-eral condition of the economy, particularly in the US, and of course the uncertainty sus-rounding the situation in the Middle East."

He added that consumer pur-

chases of goods and services were up only 0.3 per cent in the second quarter of 1990 "although purchases of the kinds of products Procter & Gamble makes have held up better than the overall aver-

age". In the first quarter of last year, the company's not income grew 38 per cent to \$551m, or \$1.66 a share, thanks to volume growth for its range of household and personal care products and a favourable setthement of litigation. Sales in the time murths advanced 53 per cent to \$5.57bm. Shares in Procter & Gamble

slipped \$1% to \$78% at mid-day yesterday on the New York Stock Exchange.

SEVERAL of Canada's leading securities firms have imposed stringent austerity measures, ranging from layoffs to cancel-lation of a shareholders dinner, in response to the deterioration in business conditions. RBC Dominion Securities,

the country's biggest firm which is 88 per cent owned by Royal Bank of Canada, confirmed yesterday it had ordered a C\$10m (US\$8.9m), or 6 per cent, cut in overhee over the next 12 months. Directors are taking a 7.5 per

cent cut in bese salaries, and the firm has cancelled two tra-ditionally elegant dinners at this time of year, after the directors' and sunnal meet-

Wood Gundy, controlled by plans to sub-let some of its the previous six months.

Canadian Imperial Bank of Commerce, is also in the throes of a restructuring which has cut its workforce by more than 20 per cent since it acquired the retail operations of Merrill Lynch Canada earlier this

The firm employs about 2,000 people, down from 2,600 last Jamary. Unspecified cutbacks are also under way at Neshitt Thomson, 75 per cent owned by Bank of Montreal. Neshitt has been one of the industry's most consistently profitable firms.

Dominion Securities' chief operating efficer, kir Ray Mackay, said yesterday, "Business is difficult and we're trying to tighten our belts as much as possible." DS also

common share financings tum-bled to C\$551m in the first half

Dow Jones profits fall 41.1%

By Hilds Tall

DOW JONES, publisher of the Wall Street Journal, has wan Street Johnson, has reported a 41.4 per cent fall in third-quarter operating profits, although the decline at the after-tax level was a more modest 17.5 per cent, to \$23.8m or 24 cents a share.

The lower figures were blamed partly on higher inter-est costs and goodwill amortiest costs and goodwill amorti-sation in respect of Telerate, the financial information net-work of which Dow Jones took full ownership last January. Together, according to Dow Jones, these factors knocked 11 cents a share off net earnings. However, profits also fell very sharply at the business publi-cations division.

The third-consuler results

The third-quarter results were scored on revenues of \$408.5m against \$404.1m in the

same period last year, and at the operating level profits reached \$41.5m against \$71.5m.

The smaller reduction at the net profits level was explained by a one-off tax credit, worth \$9.3m or nine cents a share, and the constant of the losses in 1989 did not fall on Dow Jones' operating results. Nevertheless, Telerate's other US businesses were affected by the depressed constant of the losses in 1989 did not fall on Dow Jones' operating results.

resulting from the investment in Telerate. In divisional terms, the information side saw operating profits fall from \$54.8m to \$35m, on revenues of \$185.1m, up from \$175.3m. However, Dow Jones said that the picture was distorted by the includes the said that the picture was distorted by the includes the said that the picture was distorted by the includes the said that the picture was distorted by the includes the said that the picture was distorted by the includes the said that the picture was distorted by the includes the picture was distorted by the includes the picture of the picture was distorted by the includes the picture of the pictur

ate's electronic foreign exchange dealing system. Last year, this was being developed by Telerate in conjunction with a 50 per cent partner which has now been hought out. Accordingly, Telerate

sion of the total costs of Teler-

ditions in the financial services industry, although profits growth in Europe and Asia was "strong" during the period.

The business publications division, mesmwhile, saw profits fall from \$13.35m to \$2.71m, on revenues of \$163.8m, down from \$170m. Dow Jones said this largely reflected the decline in advertising revenue at the January of the present the decline in advertising revenue. at the Journal - down 16 per cent. The paper's circulation was some 2 per cent higher than a year earlier.

The community newspaper business operating profits fell 7.4 per cent to \$7.94m.

"In Tokyo, London, Frankfurt and Paris, the market that people know is the New York Stock Exchange."

101//hp.a., payable annually in arrears on October 10, 1991, 1992 and 1993, thereafter 151//hp.a. less Six-Monthe-DM-LiBOR, payable semi-annually in arrears on April 10 and

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INTERNATIONAL COMPANIES AND FINANCE

Norwegian bank reveals loss of NKr164m

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J. J. CHiles

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Service Bills Extends

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By Keren Zagar

" yeth yeth"

110 charge of the The sail to be the FORUS BANK, Norway's third largest commercial bank an nounced yesterday that it had been halved to NKr156.5m from suffered net losses of NKr164.im (\$27m) in the first eight months of this year,

against net profits of NKr60.9m in the same period last year. The bank's operating profit was nearly halved to NKr271.9m from NKr469.5m last year.

However, the bank managed alightly to reduce credit losses alightly to reduce credit losses

to NKr436m from NKr469.5m in the first eight months of 1989. Mr Steinar Robertsen, a senior Mr Stainar Robertsen, a senior bank official, said that for the year as a whole the bank expects credit losses in the range of NKr550m to NKr500m. He said the bank's operating profit fell as a result of squeezed credit margins, though operating costs were ranginy on the same level as roughly on the same level as last year at NKr867.7m for the first eight months of this year.

On September 1, Fokus merged with Tromsbanken, a medium-sized bank, and from March 1991 will complete a merger with Rogalandsbanken, another medium-sized bank, on

the west coast of Norway.

Separately, Sparebanken Nor, Norway's biggest savings

bank, announced yesterday

NKr321.2m last year. Sparebanken was earlier

known in Norway as ABC Bank before it merged with four other savings banks, and was known internationally as Union Bank of Norway.

Credit losses in the first eight months fell to NKr567.8m from NKr670.6m last year. Group operating profit, before credit losses was reduced to CREUI 105585 Was reduced to NKr7243m from NKr9918m in 1969 as a result of lower earnings from securities trading. The merger with four other savings banks; Sparebanken Buskerud, Vestfold, Oesfold and Oestlandet was completed the October 1, retroactive to January of this year, at a cost of NKr30m. Combined assets are estimated at NKr80bn.
The bank has an equity ratio of more than 8 per cent, amongst the highest of Norwegian banks, in line with the Bank for International Settle-

ments requirements. The bank forecast that for the year as a whole credit losses will be reduced from NKr950m in 1988, but will be higher than NKr560m experi-

Restructuring costs blamed for heavy Procordia fall

PROCORDIA, the Swedish state-affiliated food and pharmaceutical group, yesterday reported a 56 per cent drop in profits after financial items to SKr358m (\$170m) for the first eight months of 1990. The profits are pro-forma

because of Procurila's recent takeover of the Pharmacia pharmaceuticals group and the Provendor food business from Volvo, the Swedish vehicle and errospace group.

Restructuring costs of SKrl.2bn were blamed for the

lower earnings report. Volvo and the Swedish state each have a 42.5 per cent voting stake in Procordia as a result of the takeovers. The compa-nies comprising the new Pro-cordia reported total profits after financial items of SKr2.18bn during the corresponding period last year and an operating profit of

The enlarged Procordia said the operating profit for this year's eight-month period declined by 60 per cent to SKr795m, while sales SKr795m, while sales increased by 1 per cent to SKr24bn.

Procordia predicted that operating profit for the year will amount to SKr2hn, compared with the 1989 pro-forms result of SKr3.2hn.

Ansaldo to go it alone on turbine production

By John Wyles in Rome

ANSALDO, Italy's state-owned electrical engineering com-pany, is expected to sign a he-ensing agreement before the end of the month which will take it into the production of gas turbines.
The decision, announced

yesterday by Mr Fabiano Fabi-ani, managing director of Fin-meccanica, Ansaklo's parent meccanica, Ansaldo's parent company, has been determined by the recent shares and assets swap agreement between Flat and CGE of France and by the breakdown of the joint venture with Asea Brown Boveri (ARB). Finmeccanica initially wanted a global rationalisation agreement with Flat covtion agreement with Flat cov-ering railway equipment, aero engines and gas tratines. This has been substantially preempted by the First-CGE deal.

Ansaldo has been left with no option but to leunch itself alone into the production of gas turbines to replace its

down after Italy's decision three years ago to abandon muclear energy.
The choice of licence could, however, determine future options. The original plan envisaged the use of ABB technology, but this has been abandoned now that Finmeccanica is trying to unwind two

nuclear plant engineering activities. These were run

ionit ventures with ABB covering transmissions and power generating components. The partners have fallen out over ABB's second thoughts on ceding control of the components venture to Ansaldo. It is thought that Finnec-canica is still interested in a gas turbine production collab-oration with an Italian partbratton with an infamin part-ner. There are only two possi-bilities: Nuova Pignone, part of the ENI group; and Fiat. The former uses General Elec-tric technology and the latter Westinghouse, Given Fiat's valuationes to wake injury van-

reluctance to make joint ven-tures with the Italian public sector, it is possible Finmec-canica will opt for Nuova Pig-none and General Electric. After acquiring the technology, Ansaldo would be able to bid for participation in the supply of gas turbines for 16 power stations to be built in the Soviet Union.

affects Fermenta, the previously scandalised antibiotics company that diversified into financial services with its acquisition of Independent/infina in the last two years. were established in the early 1980s by the country's nation

that hit three of Sweden's leading finance companies - Nyckeln, Independent/infina and Gamles-

taden - is causing a signifi-cant shake-up in the sector,

which grew rapidly in the

Increasing concerns about

the finance companies' sizeable

property loans in Sweden and the UK will mean that most of them will pay higher interest

on their commercial paper, their primary source of financ-ing. Questions are also being raised about the degree of credit risk awareness in Swe-

den's relatively new and unso-phisticated commercial paper

Moreover, the crisis reprewall, the flamboyant Swedish financier and principal share-holder in Nyckeln. It also

market.

banks to avoid strict quotas on lending and provide financing to small companies and indi-viduals. Other independent finance companies, established by large industrial concernsand financial entrepreneurs, followed. However, the finance compa-nies lost business in 1986 after the credit quotas were scrapped as part of the govern-ment's deregulation of capital



Erik Penser: big shareholder in Gamlestaden

markets. Their customers returned to the banks, which offered cheaper loans.
The finance companies com-

pensated for their lost business by increasing activity in leas-ing and factoring. However, the introduction of tax reforms in 1990 and 1991 has reduced demand for these services which were used as tax shel-

concentrated on credit card operations and financing property deals in Sweden. Lending expanded with the abolition of Sweden's strict foreign exchange controls last year as the finance companies arranged bridge loans to support property speculation by Swedish investors in European markets, primarily London. The finance companies were able to obtain ample credit

since they paid almost the same interest rates on their commercial paper as blue chip companies and big mortgage institutions did with their better credit ratings.

Cash squeeze sorts the shaky from the solid

John Burton on the shake-up in the wake of Sweden's finance company liquidity crisis

However, the government expressed concerns about the shaky financial conditions of some finance companies. It introduced new rules last year to strengthen the capital-re-serve requirements for them. It also established an authorisation system. This cut the num-ber of finance companies by half, to 150, leaving them, it was believed, in stronger

shape. But fears of a crash in property prices in Sweden and the UK, together with Sweden's deteriorating economy have upset this complacent judg-

When Nyckein, Sweden's fourth largest finance com-pany, two weeks ago sharply reduced its 1990 profit forecast from SKr175m (\$31m) to SKr25m to cover possible losses in the London property market by Allhus, one of its prime borrowers, it triggered a crisis in confidence affecting the biggest independent finance companies. Nyckeln, Independent/Infina and Gam-lestaden could not find buyers for their abort-term commer-cial paper, leading to a severe liquidity squeeze. Trading in shares was suspended for the three finance companies, together with Mr Wall's Beijer Capital and Fermenta, as frantic efforts were mounted to

quickly put together for Gamlestaden, the third biggest finance company in Sweden, since its main shareholders, Mr Erik Penser and his Nobel Industries, are in a strong financial position. The com-pany received SKr500m and a consortium of six banks guaranteed short-term financing.

ndependent/Infina, the country's largest finance company, was strength-ened with a SKr200m capital gain through the sale of its Finax consumer credit company to Wasa Insurance, and a SKr200m injection from Fer-menta. On Monday, it also announced that it was selling

its loss-making stock broker-age subsidiary, Consensus, to Ostgota Enskilda Banken. Independent/Infins, which reported a SKr325m loss for the first eight months of 1990, was designed to play a key role in plans to revive Fermenta, Sweden's worst post-war bourse scandal under its for-

mer owner. Mr Refaat El-Sayed. After Fermenta was taken over in late 1986 by industrivarden, a holding company affiliated with Svenska Handelsbanken, its new own-ers announced they would switch the company's focus from biotechnology to financial services, which now accounts for half of turnover.

Nyckeln has encountered the most difficulties in solving its troubles, with the company placed in temporary receiver-ship until the beginning of December. Beijer Capital, the Nyckeln, has been forced to sell most of its assets to save

Beijer Capital Financial Services, the nucleus of Beijer Capital, was sold to the Finnish investment company Spon-tel for an estimated Skr150m, Betjer Capital also disposed of its 28 per cent voting stake in the Nordstrom & Thulin ship-ping company, and a 25 per cent stake in paper and investment concern Munksjo Intres-senter, and a majority of its stock portfolio amid a weak

market. Beijer's assets now largely consist of a 31 per cent holding in Nyckeln, in addition to its remaining stock portfolio. Beijer was placed on the Stockholm bourse's watchlist after trading resumed in its shares on Thursday, as was

Nyckeln's problems come at a bad time for Mr Wall, who also must finance his leveraged buy-out last year of Rever industries, the other half of his

Benk-affiliated finance companies, such as Skandinaviska Enskilda Banken's FinansSkandic and Handelsbanken's Svenska Finans, should emerge as the biggest winners from the crisis since investors are confident they enjoy firm backing. Independent finance companies will face tougher times es Standard & Poor downgrades their rating to "speculative investing" status and investors abandon risky commercial paper for safer

Bergesen advances 28%

By Karen Fossii

BERGESEN, Norway's leading bulk shipowner, lifted operat-ing profit, before depreciation, in the first eight months of this year to NKr653m (\$107m) from NKr510m last year.

Operating profit rose from NKr240m to NKr380m in the period. A substantial profit on the sale of shares and a halv-ing of net interest expenses contributed to an increase in pre-tax profits to NKr931m from NKr381m.

During the year the market value of Bergesen's vessels declined to NKr8.3bn from NKr9.2bm as a result of lower

dollar exchange rates and a 15 per cent fall in the value of dry

cargo vessels.

Operating profit for shipping operations rose to NKr380m in the period, from NKr225m last year. "The conflict between Iraq and Kuwait has resulted in somewhat lower earnings for the nine crude oil tanker operating in the spot market ... tanker rates plummeted in August ... since the end of August, rates have climbed to about \$15,000 per day for [our] turbine tankers operating in the spot market, Bergesen explained.

Nedlloyd sees deficit for year

strengthen their capital base. A rescue package was

and transport company, took investors by surprise, changing a previously issued profit warning to a forecast of a loss for the group in 1990, AP-DJ

Neilloyd did not specify how hig a loss it expected. Yester-day its shares, which were suspended earlier in the day, full F169 to F137.

The company plans to cut its workforce in the Netherlands by 420, and reduce its work-

force abroad.

Nediloyd said the negative trends behind its profit warning in August had intensified.

Kone lifts pre-tax profits

By Enrique Tessieri in Heisinki

KONE, the lifts and crane-making group, reported an increase in its pre-tax prof-its during the first eight months of this year to FM306.1m (\$84.3m) from FM285.4m a year earlier.
Operating income before depreciation also rose to FM505.9m from FM437.mm. Con-

solidated net sales grew by 17 per cent to FM4.77bn.
Kone, one of the few large Finnish companies to register an increase in pre-tax profits this year, estimates sales will rise to FMSbm in 1990 against FM7.09bm in 1989.

eight-month sales risc 22.3 per cent to FM3.33bn, while cranes sales rose 7.5 per cent to MacGregor-Navire, group's cargo access equip-

ment arm, reported a 2.5 per cent rise in sales to FM268.8m. New orders for the group during the January-August period rose 14.4 per cent to FM4.76bn. Earnings per share for the eight months rose to FM36.70 from FM35.10.

Pre-tax profits are also expected to exceed last year's

The lifts division saw its



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NET INCOME OF FF2 BILLION FOR THE FIRST HALF YEAR AND AN INCREASE OF 16% IN CASH FLOW

Cash flow has increased by 16% over the first half of 1989. The key figures from the group's consolidated financial statements are as

In millions of French Francs)	First half				
	1990	1989			
Net Sales	34 082	33 209			
Depreciation and provisions	(2 176)	(2.218)			
Operating income	4 557	4 750			
Interest expense, net	(614)	(672)			
Reorganisation and other costs	(127)	(284)			
income before tax and before results		1			
On the sale of non-current assets	4 044	3 916			
Results on sale of non-current assets	(176)	95			
Provision for Income taxes	(1 447)	(1 576)			
Net income from convolidated		1			
companies	2 334	2 382			
Net income	2 019	2 005			
Resources from operations (cash flow)	4 577	3 960			
Capital expenditure on plant)				
and equipment	2 287	2 833			
investment acquisitions	2 285	3 386			

Sales amount to FF 34,1 billion against FF 33,2 billion for the same period last year, an increase of 2,6%. On a comparable structure basis in French francs they are stable. They have been affected by the fall of over 10% in the average rate of the US dollar and the pound sterling against the French franc between the corresponding periods. By the short term effects of the collor plan in Brazil which should diminish during the second half and by the tightening of prices in some sectors. On the other hand they benefited from the good level of activity in the French and German markets.

The analysis of results by industrial activity shows a further progression for the containers and industrial ceramics divisions. The commutation of the aggregate performances of the insulation division, a slight decline in paper-wood, fibre-reinforcements and also in flat glass which had a particularly dynamic first half in 1989. Results have fallen in two divisions: building materials because of the importance of South America to the division and pipes which has been affected by the loss arising on the sale of the subsidiary Sadefa,

These results are after deduction of the depreciation charge of FF 1 971 million against FF 1 612 million at June 30, 1989 and the charge for provisions of FF 205 million compared to FF 606 million for the corresponding period last year. Dividend income amounts to FF 229 million against FF 123 million in the first half of 1989.

The review of results by geographical area shows a further increase in the results in France which now represents 41% of the cosh flow and net income of the group. A significant increase in the results from other European countries, especially Germany, and a fall in results from North and South America.

Capital expenditure continued at a high level and is largely covered by cash flow, which represents 13,4% of sales against 11,9% at June

Investment acquisitions are less than in the first half of 1989. They include most of the acquisition of solaglas in the United Kingdom, The acquisition of Norton company is not included, as it took place in the second half of this year.

Net income is heavily affected by the sale of non-current assets which led to an exceptional loss of FF 176 million (against a profit of FF 95 million in the corresponding period last year) because of the negative impact of the disposal of Sadefa, a subsidiary of Pont-A-Mousson

Total net equity of the group has increased by FF 1,2 billion from FF 30,6 billion at December 31, 1989 to FF 31,3 billion at June 30.

At the same time net debt has gone from FF 10 to FF 10,8 billion.

Compagnic de Saint-Gobain, the parent company, recorded a trading result of FF 690 million for the first half year compared to FF 468 million for the same period in 1989.

> Compagnie de Saint Gobain **Investor Relations Department** Tel(33) (1) 47 82 33 33

This announcement appears as a matter of record only. Curragh Resources Inc. U.S. \$130,000,000 Senior Notes The undersigned acted as agent in the private placement of this financing. MORGAN STANLEY & CO. October 10, 1990

Interest Rate Change

AIB Bank announces that with effect from close of business on 5th October 1990 its Base Rate was reduced from 15% to 14% p.a.



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INTERNATIONAL COMPANIES AND FINANCE

NEWS IN BRIEF Itoman counters 'speculator' tag

Date set for Mizrahi Bank bids

THE ISRAELI government will invite investors to bid next week for United Mizzahi Bank, the country's fourth largest the country's fourth largest banking group with total assets in 1989 of more than 57hn, Reuter reports from Tel Aviv. MI Holdings, the state company in charge of privatis-ing Israel's banks, said appli-cants must submit proposals by December 20

But the Gulf crisis and fears of war have made it difficult to attract foreign investors. The timing is so bad, it is killing us," MI Holdings said.

Bend Corporation Interna-tional (BCIL), the Hong Kong investment group owned by the corporate empire of Mr Stanley Ho and formerly con-trolled by Bond Corporation of Ametrolla metanday posted an Anstralia, yesterday posted an 87 per cent fall in after-tax profit to HE350m (US\$33.7m) for the year to June 30 from HK\$1.94bn a year earlier, AP-DJ reports from Hong

Earnings per share also dropped by 87 per cent to 19.5 cents from HK\$1.45, while turnover jumped 34 per cent to HK\$1.89bn from HK\$1.41bn. The fall in earnings was due to the disposal of most of its main assets, including its interest in HK-TVB and the Bond Centre, him lead of the complex control of the second of the complex control of the control a big local office complex.

supermarket operator, yester-day unveiled a 12.6 per cent advance in unconsolidated pre-tax earnings for the first half to August 31 to Yazibn (\$45m) to August 31 to Ya. Ilm (\$45m) from Y5.52hn the year helore, AP-DJ reports from Tokyo.

Net profits surged 76.5 per cent to Y5.16hn or Y27.91 a share, from Y2.92hn or Y17.30. Seiyu said the gain in net profits resulted mostly from vales of fixed assets which sales of fixed assets which boosted extraordinary gains by 285 per cent to Y5.55bn from Y1.52bn.

I Jamine Strategic yesterday reported an unaudited net seet value of HKR2277 a share as at September 30, down from HKSE-52 a month earlier, Ren-ter reports from Hong Kong.

Robert Thomson on a Japanese group's troubles in the property market The executives of Roman

& Co, the Japanese trad-ing house, have spent the last few days trying to convince the Japanese press that the company is indeed a trading house and not, as it has been portrayed, a real estate speculator with an embarrassing exposure in an increasingly soft property market. Unfortunately for the Osaka-

based company, founded in 1883 as a fabric import shop, the problems and the need for explanations keep on surfacing, and it has become increasingly seen as a symbol of the real estate indulgences of cor-

The company has been linked to the fall of Mr Ichiro Isoda, the Sumitomo Bank chairman who resigned for an unrelated reason — alleged illegal landing by a branch manager — but who has been criticised for his willingness to fund the real estate ambitions of homes. of Itoman.

but the company has extensive links with Sumitomo Bank. Mr Yoshihiko Kawamura, Itoman's president, was a manag-ing director at the bank and is an old friend of Mr Isoda, while 13 of the company's 47 execu-tives have worked at Sumi-

More embarrassing yesterday was the front page treat-ment given in the Japanese press to a letter purportedly written by Itoman staff to the

Ministry of Finance banking bureau alleging that the com-pany had embellished profits with fancy accounting and complaining about management policy.

Itoman officials confirmed that such a letter had been received by the ministry, but one commented: "I can't believe that Itoman employees would write a letter like that." He said that the company remained strong, had no prob-lems with oustanding debts, and expected profits this year to be on target.

But the company has just announced that it will reduce its real estate-related loans and investments by Y358hn (\$2.6bn) to Y500bn by the end of the fiscal year next March. About Y50bn in condominiums and other properties will be sold off by the parent company, while property sales by, and the recovery of loans from, affiliates will make up the remainder.

Sumitomo Bank has also heen told by the Ministry of Finance to examine its expo-

The trading house said yesterday that loans from the bank alone totalled Y160bn, but could not give a figure for loans from Sumitomo affiliates, Itoman's consolidated borrowngs total about Y1,300hm.

Much of the explaining in recent days has been done by Mr Yoshiaki Kaneko, the man-ager of Itoman's public rela-

tions office, just back from a visit to San Diego, where he attended the ground-breaking ceremony for a luxury home development that will be, he boasts, "bigger than Beverly

Yet, Mr Kaneko was most determined to emphasise that liteman is first and foremost a trading company: "People are saying that we are speculators. We are not speculators. We are a trading house and 43 per cent of our business is still in tex-

It is the recent surge in real estate investments that has raised concerns, with the growing signs that Japan's boom is over and that a sing, a strong the recent in reference in strong phonge, in prices is a strong possibility.

han there are related concerns about companies with heavy borrowings as interest rates rise.

Until a few weeks ago, the company was citing the large real estate portfolio as a sign of the successful diversification from textiles, which made up 90 per cent of the business when Mr Kawamura arrived from familiary pant in 1975 to from Sunsitomo Bank in 1975 to overhand a then troubled com-

I han there are related

Real estate investment began in about 1980, but, as Mr Kaneko explains, "it was not until 1985 that we started to invest in real estate on a large scals". In the year ended March 1990, sales in the "real

estate, leisure and others" category rose from ¥34.16m to ¥138.16m, a surge that accum-panied the boom in real estate prices, particularly in the

Osaka area.

Trade in fondstuffs accounted for about 22 per cant of sales last year at Y137.8hm, and the company has investments in Australian beef, a chain of 400 restaurants within Japan, and chicken processing facilities in China and Thai-land, where yakttori, the kebab-like chicken sticks, are

The other significant trading area is metals, machinery and chemicals, which comprises about 13 per cent of sales, and includes items such as inches items such as inches, motor-cycles and biotechnology, as well as wave-making pools and suntan salous for resorts.

It is the descionment of

prepared for Japanese restau-

It is the development of resorts and golf chibs that has drawn attention to the company. Golf club memberships, something of a barometer of Japanese real estate trends, have been declining in value this year, but Mr Kaneko forsees no problem in selling large chunks of real estate in the mesent conditions.

the present conditions.
"We have no concerns. There is still a strong demand for resorts and other buildings. Anyway, when we bought these properties, the prices were much less than they are

Australia plans company crime clampdown

THE Australian government yesterday announced plans to improve co-operation between local and overseas regulatory authorities as part of a clamp

down on corporate crime. Mr Michael Duffy, the federal Attorney General, said the government would legislate to close a loophole preventing Australian corporate agencies from carrying out investiga-tions for on behalf of overseas regulators.
Mr Duffy said co-operation

between international agencies was essential because of the rapid internationalisation of corporate activity and securities markets. Nowadays no country can hope to stamp out corporate malpractice without knowing about the offshore activities of those involved,"

Mr Duffy said.
Under existing law, the National Companies and Securities Commission, the corporate watchdog, and the Trade Practices Commission, which monitors market dominance, can only investigate suspensed

breaches of Australian law.
The proposed legislation will give both organisations the freedom to use their existing investigatory powers to inquire into suspected breaches of foreign corporate law by Anstra-

The government is also expected to announce later this week that it plans to broaden the definition of insider trading and increase penalties to include fines of up to A\$500,000 (\$416,000) and prison sentences

House of Representatives inquiry which concluded insider trading was widespread in Australia, with little risk of successful prosecutions.
The committee's key recom-

mendation was that convictions should be made easier to obtain by dropping the existing requirement for the prosecution to prove a connection between a person accused of insider trading and the com-pany which was the source of the information.

Under the law, an offence would be committed if the per-son using the information knew or reasonably ought to have known that it should not

The government's move to tighten the law follows wide-spread complaints from leading businessmen about the damage caused to Australia's interna-tional image by the activities of a small number of high pro-

Stock Exchange to take a harder line with problem comon in the accountancy profes-sion on ways of improving the development of accounting

However, the first big step towards tougher regulation will come next year when the Anstralian Securities Commission (ASC), a federal organisation with strengthened powers and increased resources, will take over from the NCSC as

the main corporate watchdog.
Mr Tony Hartnell, ASC
chairman, said yesterday that
millions of dollars of lost corporate money could have been saved if the tougher regula-tions now being introduced had been available to regula-

tors five years ago.

Estrict this week, the ASC released draft legislation intended to increase the financial accountability of company of up to five years.

The decision is in line with

The changing climate has ulation of intercompany loans the recommendations of a also prompted the Australian and other transactions.

ConsMurch cuts costs to survive

By Philip Gawith in Johannesburg

CONSOLIDATED Murchison. the Anglovaal subsidiary which produces about 12 per cent of the world's antimony, has announced measures to ensure its survival against prices weakened by oversupply and discounting by Chinese

producers.
Drastic measures, revealed by Mr Michael Hawarden, chairman, have been forced on the Eastern Transvaal mine which only had R3.9m (\$1.56m) retained income — against R14.5m the previous year — available after providing for a 1969-90 deficit of R10.6m, with the possibility of further opera-tional losses. Since June the mine has cut production by 25 per cent and relocated or retrenched 353 workers.

A general salary or wage

freeze has been imposed and capital spanding for the next two years will be limited to essential items. Johannesburg Consolidated Investments (JCI), which manages the mine, has agreed to defer fees due to it.

The effects of a soft anti-mony price and a mouth-long strike saw ConsMurch record a R6.4m after-tax loss in the year to June against a R10.2m profit. With R4.2m capital expenditure added to this, the total deficit for the year was

R10.6m Mr Hawarden warns any deterioration in the market could require the mine be placed on a care-and-mainte-nance basis. This would stop the work of scientists currently trying to find an arsenic-enti-

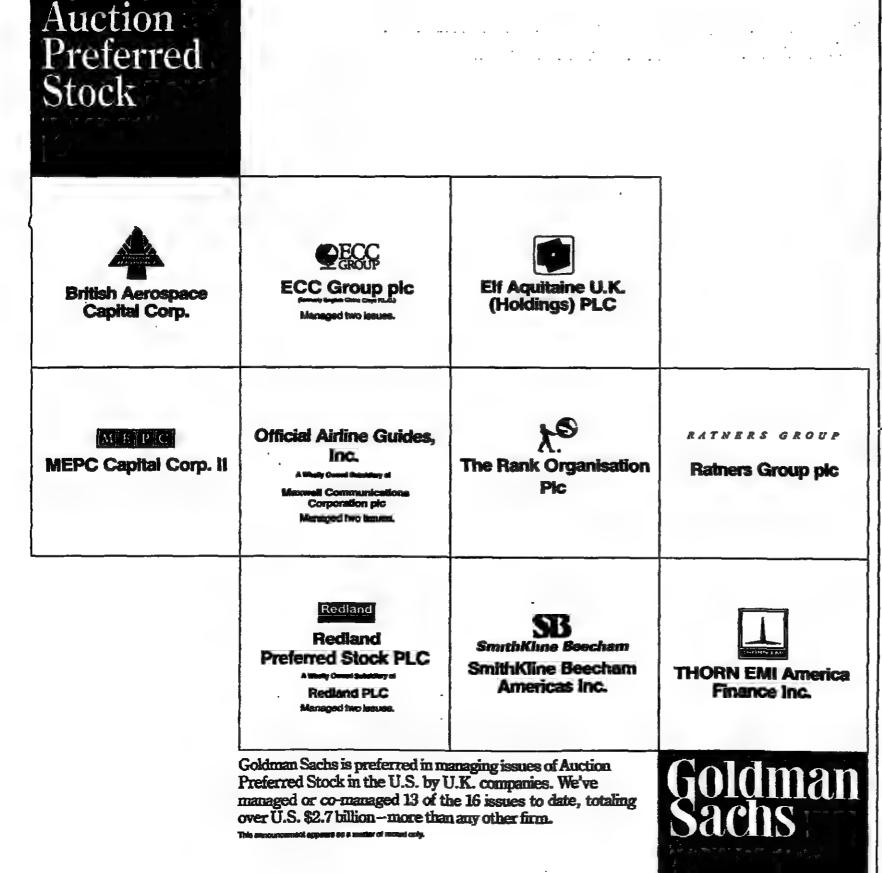
mony separation process which could belp keep the mine in

Mr Hawarden notes that with the antimony price unlikely to improve materially in the short term, "the only hope of survival for the company is to increase gold recovery significantly and to produce a walke-subarced duce a value-enhanced antimony product. Gold is recovered as a by-product of

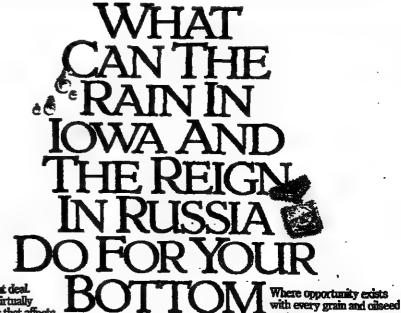
processing the antimony ore.

Mr Hawarden said technology, developed by JCI, could enhance gold recovery and produce crude antimony oxide from which the arsenic had

been removed. Success with the new pro-cess would enable the company to realise higher prices for stockpiled residues.



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INTERNATIONAL CAPITAL MARKETS

UK bonds decline sharply on weakness in sterling

By Simon London in London and Karen Zagor in New York

UK GOVERNMENT bonds fell back sharply at the longer end of the yield curve yesterday, against the background of a weak pound and a re-assertion of underlying economic uncertainty.
The benchmark 11% per cent

glit, maturing in 2003/07, closed the day down & point at 1022 for a yield of 11.41 per cent. However, the shorter end of the market continued to outperform the long end, with some overseas buying reported. This suggests that the anticipated flattening of the yield curve is beginning to

- On the foreign exchange markets, sterling fell back in overnight dealing, at one point falling below the psychologically important DM3.00 level. in yesterday's trading some of the losses were retrieved and sterling closed at around DM3.005, down two pfennigs from Monday's close.

Market sentiment on the underlying economic position also remains bearish before retail price index figures for September, which are announced on Friday and are

GOVERNMENT BONDS

expected to be poor. Retail sales figures announced next Monday may sound a more positive note, but analysts suggest that yields could soon return to the levels before sterling's entry into the exchange rate mechanism was announced on Friday.

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THERE was general relief in the German government bund markst that yesterday's auc-tion of new 9 per cent 10-year federal paper was well

The cash market was steady, with the benchmark 8% per cent 10-year bund closing at 96.25 for a yield of 9.09 per cent. In the futures market hedging of holdings of new paper caused a small sell-off, with the key December futures contract closing at 80.89, against 81.30 on Monday.

The Bundesbank accepted offers for DM4.27hm of new

offers for DM4.27bn of new paper at an average yield of 9.01 per cent, adding to the DM3bn issued on Monday through a concentium of banks. Together with DM727m of

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BENCHMARK GOVERNMENT BONDS 102-28 88-17 84-28 -10/32 11.79 12.52 12.53 -21/32 11.36 11.75 11.87 -28/32 10.93 11.11 11.25 99-25 -23/32 8.78 8.79 95-06 -07/32 8.93 8.83 8.750 05/00 8.750 05/20 FRANCE BTAN 9,000 11/95 85,0168 +0,000 10,29 10.31 10.39 OAT 8,500 03/00 88,3800 -0,170 10,48 10,47 10,41

13.000 07/00 97.6436 +0.600 13.43 13.50 13.50 London closing, "denotes New York morning session
Yields: Local market standard
Prices: U.S. Lik in 32:

bank for market regulation, this means that the govern-ment raised its target of DMShn from the issue.
In August, the Bundesbank rejected all bids in the auction

of 8% per cent Unity Fund paper. Analysis suggest that the higher coupon on this lat-est federal issue was sufficient to attract investors into the

However, the government has a funding requirement of around DM25hn for the remaineround DM25hn for the remain-der of the year. Analysts suggest that yields will have to rise further for this target to be achieved. Another two longer maturity federal issues are expected before the year end, with the rest of the funds raised through five-year bonds and short-term maner.

and short-term paper.
Yields will also rise, they
say, as investors switch funds from the bund market and into French government and Dutch government paper, where yields are for higher than is justified on the basis of eco-nomic fundamentals.

THE RECENT bullish santiment in Japanese government bonds eased slightly as the monetary authorities intervened to prevent further strengthening of the yen against the dollar. The benchmark No 119 issue closed on a yield of 8.055 per cent, com-pared with 8.020 at Monday's

The dollar weakened further against the yen overnight, breaking through the 130 bar-rier before the Bank of Japan intervened to stabilise the situation. A strong yen/dollar exchange rate is thought to

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PLOATING BATE MOTES: Described in dollars unless otherwise indicated. Coupen shown is minimum. Spread=Margin above strements offered rate (Harve-month Sebove spean rate) for US dollars. Caps = The current coupen.

CONVENTIBLE SOURCE Described in dollars unless otherwise indicated. Cav. orice Nominal execut of bond per share expressed in currency of share at convention rate time at itsue. Pram = Percentage pressum of the current effective price of acquiring shares via the bond over the most recent price of the shares.

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but the Bank of Japan does not

makes a further rise in the dis-count rate unlikely and dissi-pates the inflation impact of higher dollar oil prices on the domestic economy. Both fac-tors are behind positive market

#US Tressuries moved broadly lower yesterday morning as higher oil prices, continued weakness in the dollar and the US budget fiasco kept buyers out of the bond market.

At mid-session, the bench-mark 30-year bond bad dropped 1% point to 98H, yielding 8.92 per cent. Losses were more moderate at the short end of the yield curve, where the two
year note was down a point for
a yield of 7.9 per cent.

The bond market remained

obsessed with the budget machinations in Washington, and sentiment was decidedly bearish as last week's opti-mism about the prospects of an replaced by fears that any likely compromise would not be sufficient to redress the

huge deficit problem.
Since an easing of monetary policy hinges on a "credible" budget package, traders were concerned that the Fed will not CHARLES BOOTL The Federal Reserve

arranged overnight system repurchase agreements when Fed Funds were trading at 34 per cent. The move was widely expected.

Higher oil prices dealt a further blow to Tressuries. At midday November crude was \$1.71 higher at \$40.66.

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reports from New York.

The company said resources
were more than adequate fo
fulfil open securities commit-

Poor reply broker issue

SINGAPORE stockbroking firm Kay Hian James Capel's public issue of 83.18m shares — 25 per cent of the company — has been 19.5 per cent sub-

• The S\$60m private placement for Wing Tai Holdings, a garment manufacturer and \$\$2.39 placing price.

The shares were being issued to pay for the purchase of two US-based clothing

Correction

Canadian bank issue fails to woo investors

By Bernard Simon

INVESTORS appear to have given a cold shoulder to a National Bank of Canada rights issue designed to bolster the bank's capital after big writedowns on exposure to Campeau Corp, the embattled real estate and retailing

With the C\$95.5m issue due to close late yesterday after noon, the Montreal-based bank said that only a small propor tion of the Issue had been sub-scribed by yesterday morning. National's shares were trading at C\$7.88 on the Toronto stock exchange yesterday, compared with the offer price of C\$8, and the bank was reconciling itself to falling well short of the

C\$95.5m target.
A National official said ye terday that failure to attract the full amount would not cre-ate a problem for the bank. Even allowing for the writedowns on Campeau loans, the bank's total capital ratio is above the 7.3 per cent target due to be reached by the end of this year under guidelines set by the superintendent of financial institutions.

National, with assets of C\$36.9bn, said last month that it was raising its loan loss provisions by C\$80m to cover a loan made to Campeau Corp founder Robert Campeau.

Half the extra provision was accounted for at the end of the third quarter, pushing National's earnings down to C\$22m from C\$65.5m a year earlier. The other C\$40m will be reflected in the fourth-quarter

National has set aside en additional C\$20m to cover other loan losses stemming from the deteriorating North American economy.

The bank's shares were trad-ing at C\$8.63 when the rights issue was announced last month. The present share price of C\$7.88 is less than half the peak of C\$15.25 reached in the past year.

The office of the superinten-

dent of financial institutions (OSFI), which regulates Cana-dian banks, sent a team of senior retired bankers to review National's assets in the wake of the Campeau prob-

ems. According to Mr Michael Mackenzie, the superinten-dent, "we're comfortable with its portfolio".

 Ehrlich Bober, the investment banking and broker/dealer unit of Ehrlich Bober Financial, is to cease operations due to continued losses and the negative impact of tax reform on the municipal

to Singapore

scribed, Reuter reports from

The company, owned 49 per cent by James Capel Group, a unit of Hong Kong and Shanghai Banking Corp, said it received applications for a total of 16.26m shares, includ-ing 8.29m shares subscribed for by the staff.

Kay Hian is the second local company seeking listing on the main board to receive such a poor response from the public in the past decade. In 1981, an issue by Van Der Horst received 35 per cent subscrip-

tion. The Kay Hian issue was designed to raise about \$\$36m (US\$21m) to finance the company's development of stock-broking in the Singapore area. Share issues by brokers Kim Eng Holdings and G.K. Goh, listed earlier this year, were subscribed 784 times and 108 times respectively. Since July, however, the Singapore stock market has fallen by more than 30 per cent.

property group, has been abandoned by its underwriter Smith New Court, the UK stockbroker. Wing Tai's share price has fallen below the

wholesale and buying compa-

Spanish bank

BANCO Bilbao Vizcaya has been quoted on the London Stock Exchange since 1988. It is thus not seeking a London listing, as was suggested yesterday.



	First	Year		
	1990	1989	1989	
Net sales (in FF millions)	6,105	10,470	19 <i>,</i> 404	
Net income (in FF millions)	1,539	921	705	
Net earnings per share (in FF)	243.34	141	108.52	

Net sales for the first half of 1990 amounted to FF 6,105 million, down 41.7% from the figure for the same 1989 period. This decline is a result of Chargeurs' withdrawal from the Air Transport sector combined with the lower sales generated by the Textile sector. Net income amounted to FF 1,539 million, an increase of 67.1%, and included net capital gains of FF 1,545 million on the sale of 54.6% of the capital of UTA.



MINI COMMERZBANK 🕮

SUBSCRIPTION OFFER FOR PROFIT SHARING CERTIFICATES WITH CONVERSION RIGHTS

By virtue of the authority conferred upon it by the Annual General Meeting of the Company held on 26th May, 1988 the Board of Management has decided to issue DM.500,000,000 nominal Profit-Sharing Cartificates ("Convertible Cartificate") carrying rights of conversion from 1991 to 1998 into shares of Commerchank AG which are entitled to distribution as from 1st November, 1990 (Le. one sixth for the financial year 1990). The Convertible Cartificates are being offered at par by way of rights to the Company's chareholders on the basis of:-

One DM.200 nominal Convertible Certificate for every eleven shares of DM.50 nominal held.

The Convertible Cartificates are being offered on the terms of the Company's announcement dated October, 1990. Copies of the announcement with an English translation, are available on request at the office of the London Subscription Agent, S.G. Warburg & Co. Ltd. It is not intended to seek quotation for the Convertible Certificates on The Stock Exchange, London, however, the subscription rights will be traded under Rule 535.4 during the period 18th October, 1980 to 25th October, 1990 inclusive.

MACAZEDANZE IN THE CHALLED KINGOOM

Holders in the United Kingdom wishing to take up rights must

Bearer Share Cartificates — Coupon No. 51 and apply during the subscription period 16th October, 1990 to 29th October, 1990 inclusive, at the office of the London Subscription Agent:-

S.G. Warburg & Co. Ltd. Pnyling Agency, 2 Finsbury Avenue, London BCZM 2PA

between 10.00s.m. and 3.00p.m. where lodgement forms are obtain-

Holders of London Deposit Certificates wishing to take up rights must lodge their certificates for merking Square No. 14 no later than 3.00p.m. 24th October, 1990.

Payment must be made in full on application. Temporary

Holders wishing to make payment in Starling should agree the dicable rate of exchange with the London Subscription Agent. Holders of rights entitlements may instruct the London Subscription Agent to buy or sell rights, on their behalf to round their entitlements but in order to do so their forms must be lodged with S.G. Warburg & Co. Ltd. by 3.00p.m. 24th October, 1890.

Subscribers will be advised at a later date when the Convertible rifficates are available to be exchanged for Temporary Receipts.

10th October, 1390

S.G. Werburg & Co. Ltd. London Subscription Agent and Depositary

GPA Investments B.V.

US\$ 30,000,000 Guaranteed Floating Rate Notes due 1995 Guaranteed by **GPA Group pic**

In accordance with the Terms and Conditions of the Notes, notice is hereby given that for the interest period from October 10, 1990 to April 10, 1991 the Notes will carry an interest rate of 8.6375 % per annum. The Interest amount payable on the relevant interest payment date, April 10, 1991 will be US\$ 4,366.74 per Note of US\$ 100,000 denomination.



The Agent Bank KREDILTBANK S.A. LUXEMBOURGEOISE

ABBEY GLOBAL INVESTMENT FUND

Registered Office:
Centre Mercure, 7th Floor 41 Avenue de la Gare L-1611 Luxembourg R C Luxembourg B 26141

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

An Assessi General Meeting of the Shareholders of Abbey Global Investment. Fund will be held at Centre Mercure, 7th Floor, 41 Avenue de la Gare, L-1611 Lucembourg at 11am on 19 October 1990 for the purpose of considering and voting upon the following matters.

Agenda of the Annual General Meeting of stureholders:

Submittal of the Reports of the Board of Directors and of the Statutory Auditor for the year ending 30 June 1990.

Approval of the Statement of Net Assets as at 20 June 1990 and Statement of Operations for the year ending 30 June 1990.

To approve distributions sufficient to maintain the Funds UK Distributor Status for the year ended 30 June 1990, and, in the cases of the following sub-funds to secure the Funds Distributor Status for each of the years ended 30 June 1988 and 1989:

International Income and Growth Fund Pacific Growth Fund UK Growth Pund

4 Grant Discharge to the Board of Directors and to the Statistics Auditor for the performance of their duties for the year ended 30 June 1990.

5) Rantily the co-optation as Director of Mr C M Wiscasson.

6 Re-election of the present Directors. 7) Re-election of the Statutory Auditor.

Partify the payment of Directors fees for the year ending 30 June 1990. Young.

The Resolutions may be pessed without a quorum, by a simple majority of the wotes cust thereon at the Meeting.

Yoting Arrangements:
In order to vote at the Meeting:
the holders of bearer shares must deposit their shares not later than 16
October 1990, either at the registered office of the Fund, or with any bank
or financial institution acceptable to the Fund, and the relative Deposit
Receipts (which may be obtained from the registered office of the Fund)
must be forwarded to the registered office of the Fund to arrive not later
than 16 October 1990. The shares so deposited will remain blocked until
the day after the Meeting or any adjournment thereof.

The holders of registered shares need not deposit their certificates but can be passent in person or represented by a duly appointed prany.

Shareholders who cannot attend the meeting in person are invited to send a duly completed and signed proxy form to the registered office to arrive not later than 16 October 1990.

Proxy forms will be sent to registered shareholders with a copy of this Notice and can also be obtained from the registered office.

The Board of Directors

U.S. \$200,000,000 Hydro-Québec

Floating Rate Notes, Series FV,

Due May 2005

Interest Period

8th May 1990 8th November 1990

Interest Amount per U.S. \$10,000 Note due 8th November 1990

U.S. \$425.98

Credit Suisse First Boston Limited Agent Bank

INTERNATIONAL CAPITAL MARKETS

Citicorp credit card deal undermined by weak dollar

By Tracy Corrigan

ATTEMPTS to sell more than \$1bn of Eurodollar bonds foundered yesterday, as inves-tors shun dollar securities. Secondary market Eurobond spreads have widened as much as 30 basis pionts during the last few weeks, eroding deal-

ers' confidence in their ability to assess value. Against this background, the pricing of two new Eurodollar bonds was bound to be tricky. In the event, the concept of consensus pricing, in an envi-ronment where volatility virtu-

ally precludes agreement, proved almost unworkable. Citicorp's \$845m offering of bonds backed by credit card receivables was battered by conflicting opinions, as well as by a falling US Treasury

The price on the bonds was announced on Monday as 85 basis points to 90 basis points above the five-year US Trea-sury, but this proved unaccept-able to most underwriters. The deal was structured as a

Eurobond and targetted at European retail investors, as both Citicorp and UBS Phillips & Drew felt there was some demand for bearer bonds.

Other houses failed to iden-

tify such an investor base, and perception of the deal was not helped by the launch of a credit card-backed deal for Sears in the US market at a

Berrower US DOLLARS

Unitika(a)# Mizuno Corp(a)#

Euro Cr.Card Tst.1890-2(g) ◆
Toyota Motor Fin.NV(a) ◆
Citizen Watch Go.(a) ◆
Bando Chemical Ind.(a) ◆

SWISS FRANCS Furusatio Ind.(c)亦者 NJK Corp(d)水分 NJMao Electronics(e)亦者 Hakone Tozan R'way(a)亦本◆

AUSTRIAN SCHILLINGS

Yesterday, the indicated spread of the Citicorp deal was moved out by 10 basis points, before the deal was finally priced to yield 99 basis points above the five-year Treasury.

Even at this level, underwrit-

INTERNATIONAL

ers found few takers, and lead manager UBS Phillips & Drew was said to have been left with two-thirds of the deal.
Further, several underwrit-

ers were said to have been allotted no bonds. UBS

declined to comment on these aspects of the offering.

Three week's ago, ECCT's 9 per cent bonds due 1994 were quoted at 34 basis points over the curve. This widened to a 62 basis points spread on Monday and jumped 10 more basis points yesterday, when a bid could be found.

"The reaction to the wider spread on the new deal was simply to widen the spread on outstanding paper further," one dealer said.

As Mr Charles Wainhouse, vice president of Citicorp

Credit Services, observed, "it is not obvious where value is, for us, underwriters or investors", Toyota Motor Finance's

NEW INTERNATIONAL BOND ISSUES

\$230m four-year deal, launched on Tuesday, also fell victim to overall market weakness, but generally was seen to be better supported than the ECCT deal. The launch spread of 60.7

basis points widened to 66 basis points as spreads gapped wider, even though the financing, in floating rate terms, represents a level of Libor flat for a triple-A rated borrower.

Three weeks ago. Toyota Motor Credit was able to bring a three-year deal at 39 basis points over the curve. Elsewhere, new Japanese equity-linked deals again met equate demand, buoyed by the value they offer relative warrants in the secondary mar-

ket, which are substantially

out of the money.

 Westpac Banking of Austra-lia is to absorb its investmentbanking unit, Bill Acceptance Corp. Westpac said that "in the current deregulated market, it is no longer appropriate to operate a separate merchant bank". Bill Acceptance has assets of A\$1.2bn, sharehold-ers funds of A\$56m and is prof-

itable, Westpac said.
"The move will complete the integration with the bank of all Westpace group merchant bank-ing operations in Australia and New Zealand," Westpac attempted to sell Bill Acceptance, but could not find a

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Nicko Secs.(Europe)
Nomen Int.

LTCS IM

on domestic bond issues

By Staten Wagetyl in Tokvo

THE JAPANESE Ministry of Finance is planning to relax rules on domestic corporate bond issues, in order to increase companies' access to the capital markets.

Japanese industry will welcome the changes, which will most likely come into effect next month, since they would coincide with a tightening squeeze on credit in Japan, particularly bank loans. However, the ministry's move is motivated by its long-stand-ing policy of liberalising finan-cial markets and not by any short-term plan to increase sources of funds for industry.

However, the rule changes are not in themselves expected to induce companies which issue bonds in the London-based Euromanies to switch to Tokyo since some cumber-some restrictions will remain in place, notably the requirement for a company to hire both a securities company and a bank to hundle an hund. The proposals mean that the number of companies able to

issue bonds and warrant bonds without pledging collateral will increase from 500 to more than 1.000.

The plan is to widen greatly the use of credit ratings and abelish many of the present requirements to meet ministry guidelines on the size of net assets and other criteria. This will shift the onus of assess credit risk from the ministry to investors, as already hap-pens in international markets,

The ministry plans to allow companies with a credit rating of A or better to issue bonds and warrant bonds without collateral. As for convertible issues, the ministry will allow or better to make them, as long as their assets exceed Y20bn. companies with a BBB rating

• In the nine months to the end of September, a total of 560 Japanese companies were involved in mergers and acquisitions, according to a study by Yamaichi Securities. The number of transactions was 15.9 per cent up on 1989. The value of officially announced transactions in the nine

Japan plans Regulators discuss financial giants to ease rules By Katharine Campbell in Frankfurt

BANKING regulators, gathering today in Frankfurt for their biennial two-day meeting, will for the first time formally address the supervision of financial conglomer-

The definitions of "banks" "Insurance companies" and other financial service entities have become increasingly anachronistic as institutions expand their product range and stray into each other's ter-

The sixth International Con-ference of Banking Supervi-sors, which this year attracts tries, is designed to air issues arising from the work of the Basle committee of international banking supervisors. The meeting two years ago in Tokyo was largely concerned with harmonising capital adequacy standards.

Today's discussion will focus on the supervisory conse-quences of the growth of financial conglomerates, in which banking, securities operations, insurance and other activities such as leasing are gathered under one roof.

The impetus for this trend stems partly from deregulation, as the barriers between banking and securities busi-ness fall, notably in the US and Japan.

In countries operating under the universal banking system, which include most of those in continental Europe, changing savings patterns have forced institutions to broaden their product range to stay competi-tive, leading banks into insurance and vice versa.

The regulators believe that

the risks incurred by such conglomerates are greater than those taken by the separate

institutions. The authorities find it increasingly hard to reg-ulate effectively firms with complicated and diffuse international structures. Also, there is the danger that problems in one area will spill over and

infect the entire group.

Mr Johann Wilhelm Gaddum, director of the Bundes bank in charge of supervisory issues, has suggested that one possible approach was to develop the English model of functional regulation according to the main thrust of each institution's business. But concrete proposals are unlikely toemerge from this week's talks.
A second topic, on tomorrow's agenda, addresses plans for an extension of the "Cooke committee" capital adequacy guidelines to market (as well as credit) risk. The Basle group

has been working for more than a year on ways of measur-

ing interest rate, foreign exchange and equity-related

Mr Gaddum noted that "con-siderable progress" had been made, and that the results would be discussed among the participants. There is conflict between the proponents of the universal banking system (notably the Germans) who fear they will lose if bank guidelines are more stringent than those for brokerage houses, and advocates of the Anglo Saxon model, in which banking and securities func-The Basle committee is hoping to thrash out a supervisory

tions are still largely separate. structure that harmonises banking and securities regulations, and is including the International Organisation of Securities Commissions in talks regarding modes of co-operation.

US target for electricity sell-off

By Deborah Hargreaves

THE SALE of shares in the UK's 12 electricity distribution companies will be made as the largest offering yet under the US's newly-liberalised private placement - the so-called 144a market - as part of the government's privatisation of the electricity industry in late

November. Some \$600m-\$1bn of shares are expected to be offered under 144a as the US tranche of electricity shares to be sold internationally. This is substantially higher

than any of the previous 19 equity offerings made under 144a where the largest offer has not breached the \$200m

tionally sold about a 20 per cent stake in UK privatisation deals to foreign investors as a

view that the dollar is substan-tially undervalued against ster-

ted to be sold as a package of 12 companies to foreign institutional investors in the same way as the water companies were sold as a group last year.
Goldman Sachs is understood to be leading the placement of shares in the US market where the securities will be offered only to institutional investors. For this reason, the 144a route is cheaper and easier than a full listing on the

At the same time, Nomura, which is expected to lead the Japanese placement of electric-

Goldman Sachs issues sterling warrants

was not quite as overvained as now, a Goldman Sachs official

observed. On a purchasing power parity basis, the dollar is undervalued by 30 per cent, he added.

The launch of the warrants was timed to catch the wave of

interest in sterling following

the pound's entry to the

nge rate mache

a sell-off.

If there is a surge of demand for shares from UK investors, the government has the right to claw back part of the overtest allocation.

Electricity shares are expected to be sold as a package of the public Offering Without a Listing (POWL) which was ploneered last year for the offering of water shares.

The POWL route requires a company to be listed only on its home stock exchange and that the company's earnings

that the company's earnings per share must be 20 per cent of the shares' nominal value prior to the offering. This removes many of the onerous requirements for a listing on the Tokyo Stock Exchange.

The allocation of electricity shares to overseas markets is usually set several weeks before the pricing of the shares, which is due on November 21. An announcement on underwriting groups for the other oversees share placements is due later this

gives investors the right to buy \$1,000 at a strike price of \$1.90

to the pound.

The American style warrants

can be exercised at any time during their one-year

The deal was aimed mainly at continental European and also at Japanese investors.

Moody's may downgrade **CSFB** debt

By Stephen Fidler, Euromarkets Correspondent

MOODY'S Investors Service, the US rating agency, said yes-terday it was considering a fur-ther downgrading of the debt ratings of CS First Boston.

ratings of CS First Boston.

The move, which will cover about \$550m of debt, follows the agency's downgrading of the company's bonds in Comber last year.

Moody's said its review will focus on CS First Boston's ability to achieve strong core profitability and reduce risk-adjusted leverage.

Under review is CS First Boston's A-3 subordinated debt in the US, international and Swiss markets and its Prime-1 commercial paper rating.

swiss markets and its Fine-1 commercial paper rating.
It may also downgrade the senior and subordinated Swiss debt of Financière Credit Suisse First Boston, the group holding company, which carries an A-2 rating and its A-3 rated junior subordinated perpetual notes.

Moody's October downgrade

Moody's October downgrade cited the risks the firms had assumed in the US merchant banking business, where secu-rities houses make short-term loans to finance acquisitions.

is issuing 250,000 put warrants on the pound, writes Tracy Sterling is approaching the \$2 mark, a level it has not reached since early in 1981, "and at that period, the pound

FT-ACTUARIES SHARE IMDICES

trirPrivate placement. \$Convertible, †Floating rate note, \$With equity warrants, \$Pinal terms, a) Non-callable, b) Coupon was indicated at 5½%. Exercise premium fixed at 2,64%, c) Put option 31/3/93 at 106% to yield 8,97%, b) Put option 31/3/93 at 109% to yield 8,976%, e) Put option 31/3/93 at 110% to yield 8,924%, f) Callable 1997 at 100½, then 1986 at 100½, then 1986 at 100½ thereafter, g) Asset backed issue, Credit enhancement provided by UBS Letter of Credit, Fixed re-offer issue price, h) Step-down deal. Coupon pays 34.5% until March '91, then 5,85% until March '95, then 5,85% until March '96. Non-callable.

8%

^o The Financial Times Ltd 1990. Compiled by the Financial Times Ltd in conjunction with the institute of Actuaries and the Faculty of Actuaries

	EQUITY OROUPS	Tuesday October 9 1990						Oct. 8	Fri Oct 5	Titu Oct. 4	(Thistory) also (Lum	
Flg	A SUB-SECTIONS Figures in parentheses show number of stocks per section		Day's Change	Est. Earnings Yield % (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	nti adj. 1990 to date	linkog No.	Index No.	No.	Index No.	
	CAP(TAL 6000S (196)	717.08	4.0	15.54	6,63	7.87	31.33	746.98	720.99	699.22	896.40	
2	Building Materials (26)	987.75	-3.1	14.85	6.17	8.29	39.70	1019.24	945.95	892.67		
3(Contracting, Construction (55)	1167.14	-4.0	17.99	6.83	7.26	56.07	1216.18	1089.15		1435.64	
- 4	Electricals (10)	1934.71	-4.6	14.56	6.96	8,40	84.91	2028.21	1948,73		2591.09	
- 5	Electronics (26)	1580.45	-5.9	10.63	5.42	12.86	54.74	1643,94	1614.48	1567.95	2001.8	
- 61	Engineering-Aerospace (8)	412.63	-4.5	16.31	5.85	7.37	15.17	431,92	432.97	422.65	0.00	
7	Engineering-General (47)	376.38	-2.4	15.92	6.90	7.55	16.85	35.47	371.91	345.19	0.00	
	Metals and Metal Forming (8)		-5.6	27.78	8.14	4.36	17.02	425.51	417.72	405.06	461.5	
	Motors (13)		-5.4	18.85	8.75	6.18	14.41	286.72	757.64	277.96	356.74	
	Other Industrial Waterials (23)		-5.1	14.43	6.99	0.01	60.14	1229.76		1191.87		
21		1200.43	-2.9	10.31	4.29	11.99	30.57	1235.93	1194,40	1160.13		
22	Brewers and Distillers (22)	1503.29	-2.5	10.41	3,93	11.64	33.61	1542.40	1473.51	1433.79		
25	Food Manufacturing (18)	1011.5	-3.1	11.48	4.83	10,73	28.13	1044.19		1006.61		
26	Food Retailing (17)	2380.22	-1.8	10.03	3.51	12.70	50.82	2424.52	2362.86	2304.18	23 12 7	
27	Health and Household (16)	2345.16	-3.5	7.41	3.11	16,01	40.63	3491.4S		2395.58		
29	Leisure (32)	1211.34	-2.7	12.37	5.20	9.78	39.79	1244.85	115.6		1637.9	
31	Packaging & Paper (12)	492.95	-2.9	13.06	7.06	9.41	22.95	507.51	486.58	479.22	352.6	
	Publishing & Printing (14)		-2.9	12.41	6.47	20.09		2977.42		2812.92	3518.8	
34	Stores (33)	807.45	-3.2	10.93	4.61	11.90	18.58	833,91	774.80	738.84	775.0	
	Textiles (12)	409,37	-1.4	14.56	8.67	8.71	50.31	415.08	410.15	409.21	518.3	
	OTRER GROUPS (107)		-5.2	12.75	5.91	9.51	32.00		996.37	972.56		
	Agencles (16)		-2.7	10.61	3.24	12.44	22.25	1052.67	1109.71	1072.33	1560.2	
42	Chemicals (24)	996.27	-4.1	13.33	6.69	8.86	46.81		1020.79	1002-01	1200.0	
	Conglomerates (15)	1332.12	-3.8	12.74	7.52	9,46	38.45	1384,24			1578.3	
44	Transport (14)	1910.94	-22	12,70	5.49	9,97	15.20	1952.95	1845.39	1805.10		
46	Telephone Networks(3) ,	1120.20	-3.2	11,68	4.88	11.15	26.09					
		1932.40	-1.4	15.75	7.01	7.15	68.12		1927.36	1929.43	0.0	
		1552.39	-3.1	13.49	5.80	8.51	61.49	1602.73		1532.65	1926.1	
49	INDUSTRIAL GROUP (479)	1019.33	-3.2	12.21	5.31	10.03	32.22	1053.25	1019.63	991.56	1146.0	
		2407.80	-0.5	9.29	5.10	14.05	85.44	2419.19	2409 25	2372.21	2191.3	
	500 SHARE INDEX (300)	1132.58	-2.8	11.74	5.29	10.51	36.51	1165 09	1132.96	1103.98	1233 8	
	FINANCIAL GROUP (103)	707.93	-3.6		5.72		32.79	734.68	699.11	660.37	763.6	
	Bank (9)		-3.8	21.15	7.52	613	12:00	797.01	753.35	694.78	768.7	
	Insurance (Life) (7)		3.6		5.57	-	54.97	1431.62	1352.02			
	Insurance (Composite) (6)		-3.7		6.84	_	27.35	644.11	609.54	574.75	643.2	
	Insurance (Brokers) (8)		-52	7.62	0.15	13.58	41.94			804.80	990.4	
	Merchant Banks (7)		-0.2	77,00	5.75		12.75	354.77	394.17	334.76	402.1	
	Property (45)		-4.0	B 39	5.41	15.73	25.08	937.04	913.28	868.20	1219.0	
	Other Financial (21)		-1.4	11.36	7.01	11 43	11 62	252.78	223.04	236.32	339 6	
_	Investment Trusts (66)	1003 30	-28		3.94		25.03	1031.69	994,97	995.36	1225 3	
		1168.85	-0.9	12.24	7.89	9.73	59.65		1166.21	1140.23	1343.4	
99	ALL-SHARE THREX (674).	1027.82	-2.9	<u> </u>	5.47	_	34.93		1026.04		1120.8	
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	FIX	ED I	NTE	REST	r		AVERAGE CROSS REDEMPTION YIE	Tue Oct 9	Mon Oct 8	Year ago (approx.)		
	PRICE INVICES	Tue Oct 9	Day's change	Mon Oct 8	xd adj. today	xd ad). 1990 to date	1 2 2	Compons 15	years	10.76	10.62 10.62	9.71
3	Over 15 years Irredeemables	118.01 123.55 123.79	-0.70 -1.06 -1.22	118.43 124.79 125.12 144.83 124.53	0.36	9.84 8.85	89	Medium 5 y Composs 15 y 25 y High 5 y Composs 15 y	ears	10.76 11.45 11.24 11.11 11.57 11.45 11.35 10.91	10.62 11.25 11.11 11.01 11.40 11.34 11.28 10.76	9.54 11.24 10.07 9.67 11.35 10.29 9.83 9.60
6	Inita-Lister Up to 5 years Over 5 years	154,57 138,78 139,86	-0.10 -0.16	154.72 139.00 140.07	_	2.46 3.12 3.06	11 12 13 14	Index-Linked Inflation rate 5% Inflation rate 5% Inflation rate 10% Inflation rate 10% Oets &	Up to 5yrs Over 5 yrs Up to 5 yrs Over 5 yrs	3.95 4.32 2.81 4.14	1.65 4.30 2.75 4.13	1.87 3.69 3.08 3.53
_	Preference		+0.33 -0.32	101.53 73.59	-	9.20 5.33	17	Preference	15 years 25 years	12.77 12.34 12.90	12.79 12.39 12.85	12.36 11.70 10.54

#Opening Index 2171.7; 9 am 2173.7; 10 am 2177.6; 11 am 2161.0; Noon 2157.7; 1 pm 2153.6; 2 pm 2145.7; 2.30 pm 2146.6; 3 pm 2144.5; -4.10 pm 2144.1; (a) 9.46 am (b) 4.25 pm 7 Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 36n.

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LONDON MARKET STATISTICS

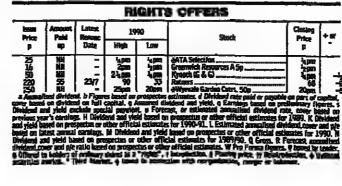
British Funds Corporations, Deminion and Foreign Bonds Industrials Financial and Properties Financial and Properties Nines Others	163	661	739
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LONDON RECENT ISSUES

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EIVED INTEDEST STOCKS



TRADITIONAL OPTIONS Oct. 1 Calle: Ametred, Argos, Avive, Jan. 21 Meustelgh, Richmond Oli & Gas, First Dealings OCL 1 Oct. 12 Jan. 10 Jan. 21 see end of Last Dealings Last Declarations

LONDON TRADED OPTIONS

THE OPTIMISM in equity tutures after the recent 1 point cut in UK interest rates had all but evaporated by the close of trading year, terday. Meanwhile, in traded

boosted activity in BP.
Futures dealers said the initial euphoria after the cut in rates and

ston in the Miccie East and the aubequent rise in oil prices.

There was also concern that the sudden rise in prices on Fri-day had hit some futures traders particularly hard. Operators who had sold short were to roed to buy

sterling's entry into the exchange rate mechanism of the European Monetary System had been replaced by worries over the ten-sion in the Middle East and the

CALLE POTS But Jam Jay But Jam Jayr

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back at much higher tevels and there was widespread speculation that at least one trader had suffered heavy losses. The December FT-SE 100 index points on the day and 130 below: its high on Monday. The December contract's premium over the cash index rarrowed slightly to 56 points. Analysts estimate that December should be approximate the contract of mately 50 points above the spot index, reflecting the cost of finance and future dividend pay-

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Option

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changed hands, compared with 72,060 in the previous session.

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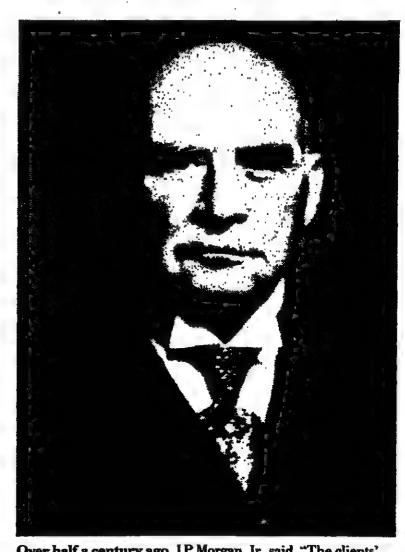
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Why the "new" thinking in M&A isn't new to us.

Now that some highly leveraged transactions of the last decade are under scrutiny, there has suddenly been a call for a "return to the fundamentals" of "sound business principles" in M&A and of "relationship banking." At J.P. Morgan, however, we have no such need to get back to basics. We never left them. We will recommend a merger, acquisition, sale, or divestiture only when it is based on a sound analysis of true debt capacity and complements your long-term business strategy in a way that truly benefits your shareholders. For in our 150 years of

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Over half a century ago, J.P. Morgan, Jr., said, "The clients' belief in the integrity of our advice is our best possession."

JPMorgan

ILG contract loss will not affect company, says Davies & Newman Shares in Dan Air parent fall 130p

SHARES in Davies & Newman, the parent company of Dan Air, collapsed yesterday from 203p to 73p in thin trading. At the beginning of the year

they were trading at 775p. Yesterday's fall followed an announcement by International Leisure Group, the private company that owns Intasun, one of the UK's leading tour operators, that it would not be leasing aircraft from Dan Air next summer.

ILG, chaired by Mr Harry Goodman, said it was no longer willing to use fuel-inefficient aircraft at a time when aviation fuel prices were climbing. It claimed the contract was worth about £30m.

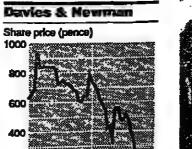
Davies & Newman, which operates the second largest charter operation in the UK. yesterday disputed ILG's

It said the potential deal, which would have been for the lease of two or three aircraft next summer compared with six last year, was worth less than the figure claimed by

German side limits fall

at BLP

to £1.24m



Harry G

The company added that the airline had offered H.G its most modern Boeing 737-400 and 437-300 aircraft.

1990

437-300 aircraft.

The loss of the contract would not significantly affect the company's performance, claimed Davies & Newman. It said it had already placed 80 per cent of its fleet for next summer with leading and reliable tour operators including

"fuel-inefficient" aircraft

Thomson, Owners Abroad and Airtours It did not anticipate having difficulties placing the remain-

"We are oversubscribed and cannot meet demand," the company said.

Davies & Newman explained

the fall in the company's stock yesterday by pointing out that the shares were thinly traded

and were closely held for the most part in family trusts. Other shareholders include Virgin, the records and retail group run by Mr Richard Bran-son, which has a 3.35 stake in

the company.

Analysts last night said the rise of more than \$1.5 in oil prices had also done little to help the Davies & Newman's

schare price.

The troubled company has been looking for a pariner for a number of months. It is thought that American Airlines and Delta, the US airlines, and All Nippon Airlines of Japan have been interested in according a state in Dan in acquiring a stake in Dan

However, there are questions about whether the company can transfer ownership of its valuable take-off and landing slots to a non-UK carrier.

Davies & Newman made a loss of £3.34m last year, against a profit of £9.88m in 1988. It recently announced that its engineering business, which has a turnover of about \$50m a year, was up for sale.

Gulf Res buys Aviva stake for £8.8m

By Richard Gourley

GULF RESOURCES and Chemical Corp, the New York-quoted company, has paid \$8.8m for the 17 per cent stake in Aviva Petroleum, the Longue Court of the Control Reduced pre-tax profits of £468,000 compared with \$1.7m were announced by BLP Group, the USM-quoted maker of wood laminates and mouldings, for the six months ended June 10.

The result was an improve ment, however, on the second half last year when £394,000

haif last year when E394,000 was schirved.
Mr Malcolm Cohen, chairman, said the profits were almost entirely attributable to a very good performance in Germany by the Berg group, acquired in May 1989. Poor market conditions had continued.

The interim dividend is cut to 0.25p (1.5p) payable from earnings per 10p share of 0.6p

ned in the UK and in the

Turnover improved to 230.29m (£19.09m). Tax took £88,000 (£568,000) and there was an extraordinary £253,000 credit.

don-quoted independent oil company, controlled by the family trust of Mr Lawrence Hockey-Sweeney, Aviva's

follows pressure on Ferris Investments, Mr Hockey-Swee-ney's family trust, from its

The sale at 19.75p per share

bankers. Mr Hockey-Sweeney, who will remain chairman of Aviva, has been granted a one-year option by Guif to repur-chase half the shares at 29p per Mr Hockey-Sweeney said that Gulf, in which the prop-erty company inco has a 37 per cent holding, was buying the Ferris stake on the hasis of

Aviva's oil and gas reserves in the Gulf of Mexico.

reserves of 80km on ft of gas and 26m barrels of crude oil which together produce the equivalent of 2,500 barrels per day. Speculation over the prog-ress of drilling in Colombia has produced wild swings in the Aviva share price, which closed yesterday down 1.5p at a On Monday, Aviva announced net losses for the first half of 1990 of \$828,000 (profit 237,000).

S&N offers to buy back Eurobond issue

By Simon London

SCOTTISH & Newcastle, the brewing and leisure group, yesterday announced an offer to buy back its outstanding 250m 9% per cent Eurobond issue, which matures in 2008.

The company will buy the bonds back through Warburg Securities until the close of trading on Friday. Warburg will purchase the bonds at the price at which they yield 1.5 per cent over the UK govern-ment 9 per cent bond maturing in 2008. The price for each transaction will be set at the time it is agreed to a maximum price of 82.

If the whole of the outstanding issue is bought in at the maximum offer price, S&N will spend 241m on the operation. Yesterday the bonds were trad-ing at 77%, yielding 12.8 per

cent or 1.9 per cent over the government bond. With Eurobond issues tradwith Eurobond issues trading at a substantial discount to face value, many UK compenies have chosen to buy back their bonds. Last week Mountleigh, the property group, made an open offer to buy back SFr55m (£38m) of Swiss bonds that wore trading at a large that were trading at a large discount and a high yield.

Nation of Redemption

Suncor Inc.

TO: The holders of 125/% Debentures, Series "B", Due November 15, 1991 (the "Debentures") of Suncor Inc. (the "Company") issued under a Trust Indenture dated June 1, 1983 as supplemented and amended by a First Supplemental indenture dated November 15, 1984 each made be Company and The Canada Trust Company as supplemented and amended by a Supplemental Trust Indentura dated January 9, 1989 providing for the resignation and replacement of The Canada Trust Company by Montreal Trust Company of Canada as Trustee (which Trust Indenture, First Supplemental Indenture and Supplemental Trust Indenture) Supplemental Indenture and Supplemental Trust Indenture shall herein be collectively referred to as "the Trust

NOTICE IS HEREBY GIVEN that, pursuant to the terms of the Trust Indenture, the Company will redeem on November 15, 1990 (the "Redemption Date") all of the outstanding Debentures at a redemption price equal to 100% of the principal amount thereof together with socraed and unpaid interest to November 15, 1990 (the "Redemption Price").

Payment of the Redemption Price will be made in lewful money of the United States upon presentation and surrender of such Debentures together with all unmatured coupons, namely those dated November 15, 1991, to any one of the Paying Agents listed below:

PRINCIPAL PAYING AGENT Royal Bank of Canada Europe Limited, 71 Queen Victoria Street, London ECRV 4DE, England

OTHER PAYING AGENTS First Interstate Trust Company of New York, 2 Broadway, 29th Floor, New York, New York 10004,

NMB Sank (Belgium) S.A./N.V. B-1000 Fire seconds.

The Royal Bank of Carusda 6 Rue Dictay,

Kredietbank S.A. Luxembourgeoise, 43 Boulevard Royal, Luciambourg

NOTICE IS FURTHER GIVEN that, all interest on the Debentures will cease to accue from and after the Redemption Date and coupons dated after such date shall

become null and void. Dated at Toronto this 10th day of October, 1990. Suntoor Inc.

By: Montreal Trust Company of Canada, Trustee

LUXEMBOURG

A FINANCIAL TIMES SURVEY The publication date of this survey has been changed to

Friday 16 November 1990

If you require information on advertising or wish to book an advertisement within the survey, please contact

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> 1998 No. 13, 726 PCIS THE HIGH COURT

IN THE MATTER OF:

AN INTEREST APPLICATION TO THE HIGH COURT UNDER SECTION 13 OF THE ASSURANCE COMPARIES ACT 1909 AND THE INSURANCE ACTS 1989-80 BY THE DIRECTORS OF PUBLIC LIFE ASSURANCE IN

MOTICE

TARE NOTICE that it is the intention of the Directors of the said trial the Assertance pla
("E.AC") a subsidiary of Irish Life pic ("HOLDCO") having the principal place of business in
tretand at Irish Life Centre, Lower Abbey Street, Dublin 7, to make application to the High
Court to sending the transfer of the undertaking of E.AC including all its property, assets,
rights and powers (with the asception of a cent ware of IRESOLOGO) and its Inhibitive, dollar
and obligations to trial Life Assertance (Newcol'), Kentrel (*NENCO"), a whosty over
solution of HOLDCO has acquired in sweets of 98.9% of the based share capital of E.AC
and has served rottes under Section 204 of the Compenies Act 1953 to respect of the
reseating shares.

AND FLITTHER TARE HOTICE but copies of the achome ("the Scheme") whereby the self-transfer is to be effected, the Actuaries Reports in relation sterets, the Transfer Agreement, the Polition presented to the High Court on Srd October 1800 and the Privated Affirmation of Thomas David Kingston which it is intended to use on the hearing of the said Polition are all available for the inspection of any shareholder or policytoder of ILAC at the offices of ILAC at Irish Life Centre, Lower Abbay Street, Dubin 1 between the hours of 9.38 c.m. and 5.59 p.m. on each working day between the date hursed and 2nd Moresetter, 1889.

AND TAKE FURTHER NOTICE that the said Pullion is to be hourd by the High Court of im

Any person who wishes to be heard on the hearing of the said Publics should serve on the Publichers' Solicitors, William Phy. Fitzwitton House, William Place, Quality 2 a Notice in writing (together with any adictorit which is to be resided on) so later than 5.00 p.m. on he investigate, 1500 of their intention to appear on the said Publics and should indicate to the early Solicitors in such notice whether each paraon or persons expect or oppose the said Publics and in the event of them opposing the Publics likely granteds for no delay.

Dated this life day of October, 1900

Scantronic shares drop after profit warning

By Andrew Hill

SCANTRONIC Holdings, the manufacturer and distributor of security products, yesterday warned that pre-tax profits for 1990-91 would not improve on last year's figures.

The group's shares fell 36 per cent, from 114p to 75p, and shares in Automated Security (Holdings), which owns 20 per cent of Scantronic, also suffered. The security company's share price alipped 20p to 181p in the weak market.

Spending cuts by local authorities, linked to the introduction of the community charge, led to a first-half slump in sales of Scantronic's smmp in same or scantitute a emergency monitoring systems for elderly and infirm people. Two important custom-ing a change in their trading policy and the group lost

that profits before tax for the six months to September 30, due to be announced next month, would be lower than in the equivalent period. Second-half profits would be about the server as a last were he exist better. 1985-90. Analysts had forecast an increase to £8m in the cur-

0.79p for the first half, against 0.715p paid in the equivalent

Although Scantronic's pre-tex profits will be down for the first half, there will be an extraordinary gain on the sale of the group's European ties to Gardiner Group. The disposal, for up to 211m in cash and loss stock, has now been completed, reducing Scantroule's gearing to about 35 per cent.

announcement and closed at 35p.

If JM Butler, the chairman, said that the group's metal processing subsidiary had been affected by the withdrawal from the market of its largest customer. He added: "This, coupled with significant costs associated with revitalising Abtex and ABC Powder, will adversely affect the group's results for the year ended September 30, 1990."

Mr Butler expected that the final divident would be maintained.

First Tech profits gloom By Andrew Bolger

year.

The timing of the warning, which came only minutes before the market closed, led to some confusion among mar-

the price down to 180p, but the shares closed at 280p, up 5p on the day.

Last year the company made pre-tax profits of £8.71m on turnover of £41.49m.

FUJI PHOTO FILM CO., LTD. used in conjunction with U.S. \$400,000,000 3% percent. Bends with Warrants due 1992

Dated: Oclober 10, 1990

Lep issues warning to ADT not to get too closely involved

LEP GROUP, the security and distribution company, yesterday issued a starn warning to ADT to stay at arm's length after the cash-rich electronic security and vehicle auction security and vehicle auction group, increased its stake from 21.8 per cent to 27.3 per cent.

ADT picked up 7.5m shares after a Lep director, Mr Bill Berkley, sold a 5.5 per cent holding in the New York market. Mr Berkley is co-founder of National Guardian Corporation, the Lep subsidiary which is one of ADT's principal rivals in the US security market.

The Bermuda-registered group has almost doubled its stake in Lep in the past week, but refused to comment yesterday on its intentions.

The rapid increase fuelled

money in August.
Mr Chris Brookes, Scan-tronic's chief executive, said same as last year, he said, but the group would not match the

Fent year.

He Brookes said yesterday:

"It's a hiccup which we have come through and addressed."

Apart from the difficulties in the UK, he added that the company had not grown as fast as it would have wished in Europe and had closed its Scandinavian and Italian sales

The group tried to take the sting out of the profit warning by announcing that it would declare an interim dividend of

parable half.

Cronite expects lower profits

The Cronite Group, Birmingham-based alloy and metals processor, yesterday warned of lower profits. The shares fell 6p to 32p on the annual constant and cheed at

idend is unchanged at 1.31p.
Mr Nigel Tibbles, chairman,
and that as interest rates rose
people who regard themselves

Pirst Technology, the automotive, fire, security and safety systems group, yesterday warned that it was likely to show a substantial profits reduction in its current year to next April, compared with last

One securities house marked

NOTICE TO THE HOLDERS OF WARRANTS TO SUBSCRIBE FOR SHARES OF COMMON STOCK OF

Personant to Condition 11 of the Terms and Conditions of the Warrants and Section 4(A) of the Instrument dated 27th June, 1985 under which the above bands with warrants were issued, notice is bereby given as follows:

were immed, notice is barely given as fellows:

1. On Skil Suptember, 1990, The Hourd of Directors of the Company resolved to make a free distribution of charge of its common stock to shareholders of record as a 20th October, 1990 (Japan time), at the rate of 0.10 share for each share held.

2. Accordingly, the subscription price will be adjusted effective immediately after such record date. The subscription price in reflect, prior to such adjustment is Yes 3.467.50 per share of common stock, and the adjusted subscription price is Yes 2.143.00 per share of common stock.

2. Effective date: 21st October, 1990.

FUI PHOTO FILM CO., LTD.

The rapid increase fuelled speculation that ADT, which

has more than \$1bn of cash and liquid securities in its bal-ance sheet, might launch a full

Lep's shares rose 60 to 173p in yesterday's depressed market. At that price the UK company, which announced a 21 per cent increase in interim profits five days ago, is worth about £237mL

The Lep statement said there was "no scope for Lep to have a relationship with ADT other a relationship with ADT other than as a pure arm's length investor". It added: "Neither the intrinsic nor the strategic value of [Lep's] businesses and assets has in any way been fully reflected in the recent prices at which ADT has been buying Lep's shares."

Mr John East, Lep's finance director, said yesterday that

ADT had told Lep at an earlier stage that it was "an active investor but a passive share-holder" in the company.

"What we are saying now is that they cannot become active shareholders — in other words, they can't get closely involved with the running of the com-pany," he said.

Mr East said Lep had real-

ised that Mr Berkley needed to sell most of his 6.2 per centstake to finance a \$20m equity injection for Finevest Foods, a US company of which he is

chairman.

Mr Berkley acquired the shares when Lep completed the National Guardian acquisition two years ago but has been unable to sell them until now because of a standatili agree.



Mike Smith, left, chief executive of Laura Ashley, with Andrew Higginson, finance director

LAURA ASHLEY, the clothing and furnishings retailer, yes-terday reported slim pre-tax profits of 2317,000 for the 26 weeks to July 28 against an outcome of \$6.58m in the com-

The company's sales, which were buoyed up by the inclusion of the US Revman's results, were strongly ahead at £173.92m (£134.16m).

Earnings per share came to 0.02p (2.08p) but the company considered it prudent not to declare an interim dividend.

OCUMENT

Regrettable though it is for 1,500 of its employees, Laura Ashley has decided to rational-Ashley has decided to rational-ise with a vengeance. The com-pany has effectively ended its embitions to remain a vertical-ly-integrated retailer and will now be quite content to source its products from wherever it can find the best prices. The pruning of peripheral busi-nesses and the emphasis on balance sheet management and balance sheet management and cost reduction will be to the company's long-term benefit. And the link-up with the Acon Group will bolster Leura Ash-ley's financial position and

help improve its trading pros-pects. Analysis having nothing but praise for all these develop-ments, but just wish they had happened several years ago. For this year it seems unlikely that Laura Ashley will register much advance in profits over the first balf and it is a metter the first half and it is a matter of some doubt whether it will be in a strong enough position to pay a dividend. Further out — providing it can find an effective chief executive to take the business forward — the company will begin to recover ground but it looks a long and smalling upposes.

long and gruelling process.

QS boosts profits by 22%

QS, the South of England expensive item leaves change careful cost control look like a yesterday reported a 22 per cent increase in first half pre-tax profits, confounding critics who said the March flotation

on the main market was ill-Pre-tax profits rose to £3.61m on sales up 19 per cent at \$21.2m, in the six months ended July 27. The interim div-

as more affluent had increasingly turned to QS's 66 stores and away from more up-mar-

The company, which until

three years again sold second hand clothes, says its most

acquisition of properties with long term leases, Sales in new and existing stores grew 2.3 per cent per square foot. @ COMMENT The first QS figures since its placement last March seem to

placement last March seem to confirm the group's optimism that despite 15 per cent inter-est rate growth, demand for chesp children's and women's clothing would remain buoy-ant. As long as the company pursues organic growth by offering a small product range

Over the period, Q8 incressed its sales area by 16.5 per cent, mainly through the

weakness it is in how QS is going to expand more quickly. Although its cash pot is large for a company with market capitalisation of £39m, this could easily be eroded by the purchase of a handful of free-holds. Efforts to grow by acquiring stores in new markets by raising money through new paper could then be ham-pered by the Berry family which controls more than 50 per cent of QS stock and might be reluctant to see a dilution of its stake. Nevertheless, QS is a sound defensive stock in uncertain economic times and deserves its 12.5 times multiple

on earnings estimated for the year at £6.6m or lip a share.

This alien the latest is the complete with the requirements of The Conneil of The International Stock Exchange of the United Kingdom and the Republic of Delanlel Limited ("The Stock Exchange"), it does not constitute an offer or invitation to any person to subscribe for or purchase any securities in the Company,

at low margins, its conserva-tive accounting policies and

JLI Group plc

(Incorporated in England under the Companies Acts 1862-1898 No. 67473)

Introduction to The Stock Exchange sponsored by

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Share Capital

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£5,020,000

Ordinary Shares of 20p each

fully paid £3,685,633.20

Issued and

Application has been made to the Council of The Stock Exchange for the whole of the Company's issued share capital, currently dealt in in the Unlisted Securities Market, to be admitted so the Official List. The principal activities of the Group are food processing, international merchanting and contract

distribution of a wide range of products for the food industry. Copies of the Listing Particulars may be obtained from the Companies Fiche Service maintained by The Stock Exchange, until 12th October 1990 from the Company Announcements Office of The Smock Exchange and during usual business hours on any weekday (Saturdays and Public Holidays excepted) up to and including 24th October 1990 from:

S.G. Warburg Securities

JLI Group ple JLI House, Guildford Street, Chertsey Surrey KT169ND

UK COMPANY NEWS

Putting steel into international ambitions

Charles Leadbeater and Peter Bruce look at British Steel's relative failure in Europe

BRITISH STEEL'S Port Talbot plant in South Wales had a visitor recently from Volkswagen. For a day he crawled over the plant, inquiring into every aspect of production. That evening Port Talbot was certified as an approved supplier to the German car manufacturer.

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45 March 184

Volkswagen is not alone in approving of British Steel's costs and quality. British Steel's exports to Germany have risen by 61 per cent in the last year, evidence of its potential. tial as Europe's lowest cost

But as yet that potential has not been translated into a strong position in continental European steel markets. Last year the UK took almost 70 per cent of its output. About 17 per cent of production went to other EC countries, giving it less than 5 per cent of the con-tinental market.

British Steel's strategy to expand its manufacturing and sales on the continent appeared to be back on track yesterday with a joint venture with Aristrain, the Spanish structural steels maker. The sharp change of gear for Britdeal almost collapsed last mouth when Aristrain's family owners pulled out of a complex arrangement in which British





Sir Robert Scholey, chairman of British Steel

will realise its international French state-owned group and French state-owned group and its main European competitor, is becoming increasingly central to the structure of the European industry. It has a stronger position in Germany, through its acquisition of Sazzstahl, than British Steel, which recently acquired the Troisdorf division of Klöckner-Werke, which is considered the out-

After earning record profits sitions. However expanding internationally will require a sharp change of gear for Brit-ish Steel. Its transformation into one of the most profitable steel companies in the world has been built on the deter-mined rationalisation of its UK production base. Its future expansion will require a clearer sense of strategy and a change of management culture to exploit international oppor-

tomities.

The rest of Europe is not standing still. Cockerill and market long products, such as structural steels for cent stakes in the group.

The deal's restriction has saved British Steel from an acute embarrassment. But it will have done little to dispet some of the deabts over how it.

Steel's 1.7m tornes.

The venture is designed to head off British Steel, which has targeted structural steel as the product which will lead its European expansion

European expansion.

Usinor-Sactior already dominates in other areas such as stainless steel. The steel tube market is suffering from excess production capacity and in other areas such as flat products British Steel is highly efficient but not predominant. Structural steel is cantral to British Steel's structury. British Steel's strategy.

The web of cross-border

deals involving its competitors is not the only problem British Steel faces. There are two others: one financial and the other political

the steel market softens, so steel producers will come under financial pressure, the price of steel-making assets should fall and there should be more opportunities for acquisi-tions. But the softening market will also make it difficult for even British Steel to make much money from older conti-nental plants in need of invest-

The political problems are more intractable. With weaker markets, many European steel companies are facing a return

To the weaker companies which are yet to pick themselves up from the crisis of the last decade. British Steel appears as a flence competitor and himgry predator, which, if unrestrained, will force them to accelerate restructuring.

The Spanish government's reaction to the Aristrain deal shows that stael still has a special religious.

French group amounced plans last week for a joint wenture with Arbed to manufacture and market long products, such as structural steels for cial political status. Its concern is that the industry is in a state of flux and is still not ready to deal with British Steel's arrival.

Spain began restructuring its industry much later than its hig European Community part-ners. Ensidess, the leading state-owned group, which has spent Pta30tn renovating old plant and shedding 6,000 of the 21,000 workers it employed in 1986, has warned it may end 1990 in the red, after making its first profit of the 1980s last

This year AHV, which also lost heavily in the 1960s, is at best expecting to just repeat its 1989 operating profit of \$44m. An experiment to bring together five small companies to form Acenor still hangs in the balance.



The Spanish government is also trying to find ways to improve co-operation between Ensidesa and AHV. Although the state only has a minority stake in AHV, which is publicly quoted, the official Banco de Credito Industrial, has enough convertible debt outstanding in AHV to take full control.

A measure of the alarm which British Steel's arrival has spread through the Span-ish industry is the reaction of ish industry is the reaction of the much stronger German industry to increasing imports from the UK. Mr Ruprecht Vondran, the German steel industry association president, warned the industry to be entchtul of the threat from the "British giant".

British Steel may be a giant. It has yet to prove it will not be a muscle-bound giant.

Goodman examiner asks for more time

By Kleran Cooke in Dublin

A NEW chapter in the segn of Goodman International, Europe's higgest beef processor and exporter, opens today as the examiner appointed by the Dublin High Court applies for more time to unravel the group's financial affairs.

Goodman International has delivered these three three three to the group's financial affairs.

debts of more than IE450m to 30 banks and is under the pro-tection of the Irish courts until

tection of the Irish courts until the end of the year.

Mr Peter Pitzpetrick, the examiner, was to have presented a report assessing the viability of Goodman International to the court today. He will argue that much of his time has been taken up with gaining agreement from the banks for 1255m of further emergency funding in order to g in order w ensure the continuance of Goodman International's core cattle slaughtering and pro-cessing during the peak "kill-

following matters:

6. Any other business

Mr Fitspairick will also point out that Goodman Interna-tional had delayed presenting accounts of more than 50 compenies now under the court's control. Mr Fitspatrick has already been granted one extension of 21 days for his

Goodman's creditors are becoming anxious about the present state of affairs. This week Westdeutsche Landes-bank (ireland) gained permis-sion from the Dublin High

court in start proceedings after the submission of the examiner's report to recover funds loaned to Goodman.

This is the first clear sign that banks involved with Goodman.— so far acting in unison.— are now fighting for control. of finds to meet at least some of their outstanding loans. In an affidavit read to the Court, WLIL said that it had loaned Goodman International

1231.4m for "working capital needs". WLIL accuses Goodman international of acting unlawfully by breaching the terms of its loan facility in using part of that loan for other turnoses.

which is considered the out-sider of the German industry. In the last month Usinor-Sa-cilor opened a hot strip-rolling mill in Turkey, in a joint ven-ture with liva, the Italian state-

owned producer. But most significantly the

using part of that lean for other purposes.

WLIL says Goodman International had come to a separate 290m lean agreement with a syndicate led by Banque Nationale de Paris. That facility was used by Goodman International to purchase 299m worth of shares in Berisford International, the UK commodities, sugar and property conglomerate.

WLIL says that under the

glomerate.

WLIL says that under the terms of its loen with BNP, Goodman International was obliged, in the event of a close in shape price to provide alternational was a provide alternational was price to pri iare price, to provi

obligations to BNP. Will. says that BNP "knew or ought to have known" that such funds could not have come from Goodman International and that they were for other "spe-cific purposes."

WLIL says that, given the "parlous state" of Goodman International, the sale of Goodmerianonal, the sale of Good-man's 13 per cent stake in Berisford "may be imminent". WLIL says that Goodman has lodged as m with BNP to meet its loan obligations to the French bank in regard to Beris-

WLIL says that if the Beris ford shares are sold then BNP will use these funds — includ-ing the WLIL \$12m — to help repay the syndicate of banks involved in the \$90m loan.

native cash security.

Contrary to the terms of the WLIL loan agreement, Goodman International used £12m of the WLIL loan to meet its complained.

"If and when this occurs, the ability of WLIL to trace £12m will be greatly reduced and made almost impossible", it complained.

Corres - Total ponding for dividend year

1.94

1.6 0.85 1.5 1.15 1.5 3.795

year

9

Interest and redundancies cut Savage

SAVAGE GROUP, the USM-quoted hardware supplier built up with the help of a string of acquisitions, made a pre-tax profit of just \$51,000 in the year to June 20, compared with \$7.25m the previous year. After taxation of \$2.752,000 the loss per share was 4.8p compared with earnings of 3.1p. The final proposed dividend is being cut to 0.5p, making a total of 2p (3.5p).

Although turnover advanced by 8 per cent to \$129.9m, Mr David Stephens, finance direc-

tor, said that like-for-like vol-ume was down by 7 per cent. Operating profit fell sharply to £5.74m (£9.66m) and this was knocked back further by

was knocked back further by \$1.3m in redundancy and other exceptional costs. About 200 jobs had been cut over 18 months, leaving a total weakforce of 2,200, he said.

The remaining \$2.42m profit barely covered interest of \$4.37m (£2.38m). "Borrowings were run up in 1988-89 when we did several acquisitions for cash." Debt had been slightly reduced by June this year to £26.8m, giving gearing of 36 per cent.

per cent.
In the UE, which accounts for 41 per cent of sales, the business with wholesalers and the DIY retail chains was hit by destocking, as demand was undermined by the lack of house moves and the general

house moves and the general economic squeeze.

France, contributing 36 per cent of turnover, had also been a disappointment. Apart from falling sales, local employment conditions had made cost-cutting a slow process.

Problems in the Benefux countries had led to management changes and there had also been disruption after a warehouse move. The smaller

warehouse move. The smaller West German business had seen growth in market share. hir Stephens said the group management had not foreseen that volumes would continue to fall as they did.

Savage boasts that it has increased turnover thirteenfold since 1986, when it joined the USM. It is also worth noting that the pre-tax profit that year was £1m-plus and the margin a respectable 10 percent. Since then, it first took advantage of a high share price, which reached 327p, to issue paper to make acquisitions and then continued its pursuit by running up debt. Thankfully the buying spree stopped before 1968-89, but the subsequent attempts to rationstopped before 1988-89, but the subsequent attempts to rationalise the business look like too little, too late. The company has reported an improvement in sales volumes in the first quarter of the current year. The sanguine view is that this, coupled with benefits of cost-cutting and better profits from the Continent, will bring in a pre-tax profit of up to 23.8m this year. A more conservative estimate is £3m and the pro-spective multiple ranges from

to £51,000

By Jane Fuller

• COMMENT

spective multiple ranges from 8 to 10. Risks remain, particu-larly bearing in mind the high debt level.

Madrid Stock Exchange. in one new active management group. La Corporación Benesto is Spein's newest- and largest - private sector industrial company. Formed on June 22nd, it beings together all of he industrial interests of Banesto, one of Spain's The significance of the new company may be by the size and breadth of these holdings. 7th core holdings in fifteen major Spanish To give strategic direction to their measure To help plan and promote their development. To make the most of their potential. In effect, La Corporación Benesto is an actively ged alice of Spain. Its influence will be felt way beyond Spain In the emerging unified European market. La Corporación Banesto The driving force in Spain is now an active force in Europe.

Second by Corporation Industrial y Figuretics de Banesto, S. A. and approved by URS Phillips and Drew Securities Limited, a member of The Securities Association, for the purpose of section 57 of the Figuretial Services Are 1986.

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SHAREHOLDERS
The Annual General Meeting of Shareholders of MECCAN
BNVESTMENT-COMPANY, SICAV, will be held at its registered
office in Lucembourg, 14 rue Aldringen, on October 18th, 1990 at
11.00 a.m. for the purpose of considering and voting upon the
following matters:

To approve the statement of assets and statement of aperations for the year ended. June 30th, 1990.

A. To elect the directors to serve until the must consuct general meeting of shareholders.

5. To elect the auditor to serve unit the next annual general meeting of thareholders.

The shareholders are advised that no quarum for the statutory general meeting is required and that decisions will be taken at the majority of the shares present or represented at the meeting.

The Board of Directors:

3. To discharge the directors and the auditor with respect of their performace of duties during the year ended June 30th, 1990.

To hear and accept:
 a) the management report of the director.
 b) the report of the cualitar.

Commercial Register: Luxembourg Section 8 31.886 NOTICE OF THE ANNUAL GENERAL MEETING OF

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PLASTIC CARDS

DIVIDENDS ANNOUNCED

Nov 28 Nov 28 Nov 30 Nov 19 Nov 12 Dec 4 Dec 12 Nov 28 Nov 28

Dividends shown pence per share net except where otherwise stated. "Equivalent after allowing for scrip issue, 10n capital increased by rights and/or acquisition issues. SUSM stock. TiFor 16 months to December 31 1888. For 53 weeks.

The Financial Times proposes to publish this survey on:

28th November 1990

For a full editorial synopsis and advertisement details, please contact:

> on 071-873 3565 or write to him at:

Jonathan Wallis

Number One Southwark Bridge London SEI 9HL

FINANCIALTIMES

By Andrew HIII

WALKER Greenbank's

WALKER Greenbank's decision to concentrate on its wallcoverings business helped push up first-half profits by 24 per cent, from £3.27m to £4.05m before tax, and the enstwhile mini-conglomerate is now polsed to expand through

Mr Charles Wightman

Walker's chief executive, said yesterday: "The acquisitions we are looking at are strategic."

they are in a market sector and

they are in a market sector and a business that we understand very well [wallcovering manu-facturing and distribution] and they will all generate substan-tial additional organic profits under our management.

under our management."

Walker was hit by losses at its Alkar International shopfitting subsidiary in 1988 and has sold 13 of its 16 non-core sub-

sold 18 of its 16 non-core sub-sidiaries since last September. Alkar is one of five businesses which it has sold since the end of the half year on August 4. The disposal programme reduced Walker's turnover from \$55.4m to £42.5m in the

period, and operating profits from \$4.62m to \$3.93m. How-

ever, the disposal programme and cash flow from the wall-coverings business have helped

wipe out borrowings which

wipe out borrowings which were £25m just over a year ago, leaving the group with £6m of cash, and £123,000 of interest receivable, compared with an interest charge of £1.49m in the first half of 1989-90.

Earnings per share rose from 2.45p to 3.01p and the group declared an interim dividend of 1.20 (10).

Wallcoverings push

Walker Greenbank

THE SHREWSBURY & WEM BREWERY COMPANY, LIMITED

NOTICE IS HEREBY GIVEN that a meeting of the holders of the 4 per cent. Irredeemable First Mortgage Debenture Stock of the above-named Company constituted by an Indenture dated 5 March 1898 between (1) the Company (then and therein called The Shropshire Brewery Company, Limited) and (2) Sir William Bower Forwood and Sir David Radcliffe (as modified by divers instruments supplemental thereto) will be held at the offices of J. Henry Schroder Wagg & Co. Limited at 120 Cheapside, London EC2 on 23 October 1990 at 11.15 a.m. for the purpose of considering and, if thought fit, passing the following Resolution which will be proposed as an Extraordinary Resolution:—

EXTRAORDINARY RESOLUTION

THAT:

this meeting of the holders of the 4 per cent. Irredeemable First Mortgage Debenture Stock ("the Stock") of The Shrewsbury & Wem Brewery Company, Limited ("the Company") constituted by an Indenture dated 5 March 1898 between (1) the Company and (2) Sir William Bower Forwood and Sir David Radcliffe (2) Sir William Bower Forwoot and Sir David Ranchine (as modified by divers instruments supplemental thereto) ("the Instrument") hereby sanctions the proposals contained in a letter dated 9 October 1990 from the Chairman of the Company to the holders of the Stock and, in accordance therewith, the redemption on or before 31 December 1990 of the whole of the outstanding Stock at £110 per £100 nominal of the Stock together with accrued interest thereon calculated up to and including the date of the retemption. the date of the redemption;

the rights of the holders of the Stock against the Compa be and they are hereby modified and compromised as far as may be necessary to give effect to sub-paragraph (a) of this Resolution whether such rights arise under the provisions of the Instrument or otherwise howsoever;

upon payment by the Company of the redemption moneys and accrued interest pursuant to and in accordance with sub-paragraph (a) of this Resolution, the Company be released and discharged from all or any further liabilities, restrictions, covenants and obligations of whatsoever nature under the terms of the Instrument or in respect of the Stock and the Stock; and

the rights of the holders of the Stock and of the provisions of the Instrument involved in or necessary to give effect to the proposals set out in the said letter and to give effect to this Resolution.

> BY ORDER OF THE BOARD Secretary 9 October 1990

This announcement appears as a matter of record only

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BANK MEES & HOPE NV

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A Stockholder entitled to vote at the above meeting is emittled to appoint a proxy to attend and vote in his place. To be valid, the Form of Proxy must be delivered to the Company Secre The Shrewsbury & Wem Brewery Company, Limited, P O Box No 2, Wikderspool House, Warrington WA4 6RH, before the time appointed for holding the meeting. No person may be appointed a preny who is not a Stockholder or Trustee of

UK COMPANY NEWS

Royal Ins helps Japanese insurer strengthen UK base

ROYAL INSURANCE is forming a joint venture with Nissan Fire and Marine Insurance Co, one of Japan's ten largest non-life insurance companies. The venture, Nissan insurance Co Europe, will be capitalised at £13.3m, with the Japanese partner taking a 75 per cent stake.

The move involves the upgrading of Nissan's embry-onic operations in London, using Royal's network of sales and claims staff to serve the needs of Japanese multina-tional clients, such as Nissan's own manufacturing operations and Hitachi, in the UK.

The new venture is in line with Royal's strategy of developing its business in the Pacific rim and could have positive spin-off elsewhere, said Mr Roy Randall, head of corporate affairs.

The two companies have worked together on various

projects since 1975, with Royal 1989. Even so it remains the servicing Nissan clients in a number of countries. Royal has also had connec-

tions with Dowa Fire and Marine Insurance, a slightly smaller Japanese company, since 1973. Earlier this year Royal elped Down establish an office

in New York.
"Our strategy in the Pacific rim area is to get alongside key players and help them where we can," Mr Randall said, adding that the relationship could also help the Liverpoolbased company win new busi-

ness in Europe, as Japanese manufacturing companies increase their investments Links with Dowa helped Royal obtain a licence to write business in Japan itself in 1974, but winning market share has proved difficult. Royal wrote only 0.03 per cent of non-life

third biggest, and the largest non-US, insurer licensed to do business there.

Although Nissan Fire and Marine Insurance's investment is relatively small, like other recent deals involving Taisho Marine and Fire and Sun Alliance and Tokyo Marine and Fire Insurance and Commer-cial Union, it signals long-term Japanese interest in both the UK and European

Taisho Marine and Sun Alli-ance signed a co-operation agreement last December. According to Mr Chris Poun-tain, analyst with Morgan Stanley: "This is part of a trend whereby Japanese com-

Tokyo Marine and Fire took a 2.9 per cent stake in Commercial Union in April this year.

panies are setting up listening posts often with companies with which they have had close links in the past."

insurance premiums sold in Exchequer Levy rise hits HTV

RISING COSTS, static advertising revenue and an increase in the Exchequer Levy payment all helped to cut pre-tax profits at HTV, the franchise holder for Wales and the west of England, to £4.2m

in the six months to end-June.
The company, which has
changed its year-end from July
31 to December 31, made \$4.9m in the six months to July 81

At the operating level, television activities made profits of \$4.98m (£9.51m) while those of the much smaller commercial division edged higher to

division edged nigher to \$255,000 (2595,000).

Sir Melvyn Rosser, chairman, said: "Despite severe reductions in staff numbers and internal costs, we have had to face television production costs that have risen in the with inflation no expectation. line with inflation, no growth in net advertising revenue and a change in the basis of calcu-lating Exchequer Levy that has resulted in an increased tax

If the Exchequer Levy had been applied on the previous year's basis, it would have been \$2m lower at \$1.8m.

The interim dividend is being held at 1.5p. Earnings per share fell from 4.29p to 8.69p. Total sales for the television

division amounted to £70.03m (£83.03m). Within this, adver-tising revenue was about static at £49.98m (£49.02m), HTV's share of total revenue for the industry held constant at 6.2 per cent. Turnover from programme sales was down across the board, although there was a particularly sharp slump in

Activities of the commercial division provided an extra £12.93m of sales. There was a £686,000 profit from the sale of land on the company's main studio site outside Cardiff, where a four-star hotel is to be what a notifical interest to be constructed. Reflecting the acquisition of CCA Publications in March last year, art trading put in sales of 210.45m (26.53m).

The company's net interest position turned around from 2377,000 receivable to 21.32m payable.

COMMENT These figures, which look even less inspiring when you take into account that the 1989 result was depressed by a £2.1m exceptional debit, fell short of analysts' expectations soft of analysis expectations of around £5m or so pre-tax. True, the outcome owed some-thing to the timing of pro-gramme sales and HTV may claim credit for maintaining its share of national advertising though, owing to its geo-graphic location, revenues never have spiralled ahead in bullish economic conditions. The second half will probably be not much better than the first, with the autumn season expected to be flat in advertis-ing revenue terms. So full-year pre-tax profits may be as low as £10m giving a prospective p/ e of about 8.5. That is not

demanding, nor is it terribly relevant in the context of the looming bidding contest for the ITV franchises - the current ones, which expire at the end of 1992, come up for renewal

next spring. There is a general feeling that HTV's position is going to be averagely safe, but it is hard to say what competi-tors may loom out of the Welsh

NEWS DIGEST

Cramphorn 34% ahead to £1.34m

LAMPHORN. USM-quoted garden centre operator, lifted pre-tax profits 34 per cent to £1.84m in the 53 weeks to July 7 1990. That compared with £1m in the 52 weeks to July 1 1989 and the forecast of not less than £1.3m at the time of the rights issue in

April Mr Carald Smith, chairman, said that the garden centre business had continued to show resilience to the general slow-down in the economy. The increase in operating profits - from £1.22m to £1.59m -was partly attributable, he said, to the opening of two new centres in the spring and the equinition of a third.

The fall in turnover - to £14.92m (£16.14m) - was accounted for by the closure of the wholesale division, in line with the company's strategy of focusing on garden centres. Earnings per 12.5p share improved to 7.11p (5.58p) and the directors have recommended a final dividend of 1.44p to make 1.92p (1.563p

S&U Stores 56% higher at £1.68m

S&U Stores, the consumer credit, TV rental and hosiery manufacturer, returned profits

of £1.68m pre-tax for the half year ended July \$1. The 56 per cent improvement on last time's 21.07m was scored from a turnover \$2.47m higher at \$22.95m. The interim

dividend is being raised from 1.5p to 2p on the back of a 8.82p per 12.5p share. Mr Derek Coombs, chairman said the rete of growth had alightly moderated since July but was still continuing at an fram the sector.

Rarnings per share rose to 8.14p (7.31p). The interim dividend is 1.8p (1.6p).

acceptable level **NMW Comp rises** fourfold to £0.2m

NMW Computers, which provides both computer account-ing services and systems to organisations within the securities industry and general facilities management services, increased pre-tax profits to \$210,000 in the first half of 1990. This result - up from 248,000 last time - was struck

on turnover down at £4.42m (£4.66m). Earnings worked through at 0.6p (0.1p).

The company said that the diversification into facilities management was gathering momentum and opportunities in the derivatives market would be pursued. However the securities industry had experienced prolonged prob-lems. These were reflected in the current market capitalisation which stood below the value in the balance sheet. The company said that unless levels of activity improved, maintaining profits would be more difficult.

Workwear up 11% and sheds jobs

Alexandra

ALEXANDRA Workwear, maker and distributor of work clothes, increased interim pretax profit by 11 per cent to £4.1m, but also announced that it had shed 200 jobs after installing new handling equipment at its warehouses.

The £655,000 cost of the redundancies (accounting for 70 per cent of the warehouse workforce) and closure of the old Bristol site, now replaced by six more specialised units, was included in the figures as was included in the figures as an extraordinary item. The investment had totalled about £4.5m, said Mr Julian Budd, finance director. "We

have substituted interest pay-ments for heads."

Interest costs more than tre-bled to £988,000 (£320,000) and pearing rose from 40 per cent at the year-end to 70 per cent, although he said that was partly because borrowings inside to run at a higher level in the first half.

The £4.1m taxable profit for The 24.1m taxable profit for the 28 weeks to August 18 compared with £3.7m for the corresponding 1983 period. Turnover increased by 13 per cont to £35.15m (£31.05m). Mr John Prior, chairman and chief executive, said that and chief executive, said that despite the more difficult eco-nomic conditions, trading mar-

gins had improved. Profit at that level grew by 27 per cent to 25-09m (24-02m). The group, which manufac-tures in Scotland and also has some retail outlets, serve 120,600 enstances in the first half. Its French and Dutch operations accounted for 6 per cent of sales.

John Prior: holds 80% of UK

group had about 30 per cent of the UK workwear market.

Some custom had been gained

through smaller rivals going bust and since Bodycote inter-national had started to with-

In the five years after it joined the main market in early 1985,

the main market in early 1985, Alexandra showed compound earnings growth of 29 per cent a year. While the pace has slowed this year because of constraints on UK demand and a bulge in capital spending, the improvement in trading margins shows that the company's gremium rating is justified. The only quibble with these figures might be that the redundancy costs were taken below the line. Although the scale of the reorganisation was extraordinary, the management is, rightly, not the sort to any away from other moves to improve production efficiency. The benefits of its semi-auto-

The benefits of its semi-auto-mated garment handling sys-tem will show through in years to come and the related

years to come and the related borrowings should already be

down by the year end. A full-year forecast of £8m gives a prospective p/e of a little more than 12 on yesterday's close of 197p, which is fair value. In a fairly tight market, it could be

one for the private client.

O COMMENT

l.2p (lp). Mr Wightman said Walker would be happy to borrow up to about £5m to finance acquiitions in the UK and contin Mr Prior estimated that the tal Europe, but he added that the group was considering buy-

24% higher to £4m sized British wallcoverings nation of cash and new

Walker said market conditions were difficult and proba-hly would not be eased by the one point drop in interest rates announced last Friday.

The group is not dependent on the health of the UK housing sector because some 30 per cent of its walkoverings busi-ness is generated in the commercial contract market.

However, Mr Wightman said the group was well-placed to take advantage of any improve-ment in the economic climate. "I don't think there is any conpany in this sector that will publish results as good as this," he added.

Walker's strategy of alimning down to core businesses seems to be working, but it will take some time for shareholders to see the benefits of the diet come through to the share price. The wallcoverings business did push up profits in the first half - from £3.78m to £3.98m - but the market, as Mr Wightman himself admits, is not booming. Even if inter-est rates come down further, potential investors are likely to ignore smaller companies' fortunes until they see how their larger counterparts are per-forming. Walker's sharehold-ers, who have had more than ers, who have had more than their fair share of suffering in the last two years, may be wary of grand expansion plans, but they are unlikely to sell out at this level. Based on forecast pre-tax profits of £8.5m for the full year, Walker's shares — up ip at 47p yesterday — are on a multiple of about 7.5 times promocitive asymbox.

prospective earnings.

New business boosts **London and Manchester**

LONDON and Manchester Group, the Exeter-based life insurer, yesterday announced a 10 per cent increase in its interim dividend to 4.176p, against 8.795p last time. Total net new annual premiums

net new annual premiums increased by 10 per cent from 221.4m to 223.6m in the first half of 1980, while single premi-ums were 3.4 per cent higher. New business grew most rap-idly in the company's life bro-ker division, established in the early 1980s to develop business through tied agents. In the division, net new annual premiums rose by 28 per cent to-£11.4m and new single premi-ums increased by 96 per cent to

The network of tied agents expanded from 572 to 638 during the January to June period.
The company's direct sales force in its home services divi-

sion also increased sales. Its sales of new annual premiums sales of new annual premiums rose by 8 per: cent to 23.5m. New sales of single premiums also grew strongly, increasing by 27 per cent to 23.5m. Sales of annual premiums by the company's industrial branch

were also buoyant rising by 10 per cent to £3.5m.

Reflecting difficult market conditions, sales of pensions products declined. New sales of annual pen-

sions premiums fall by 9 per cent to 25.2m. Sales of single pension premiums slipped £100,000 to £9.5m.

Mr David Jubb, chief execu-tive, said the market had been adversely affected by recent legislative changes and legal uncertainty arising from a European Court judgment in the case of Barber versus Guardian Royal Exchange.

Hoskyns to acquire German software house

HOSKYNS, the major computing services company quoted in London in which Cap Gemini-Sogeti of France Cap-Gemini-Sogetl of France took a majority stake earlier this year, is buying a German software house as part of its strategy to develop its business in mainland Europe.

The German company, Technodata (Technodata Buero fuer Organisations und EDV-Beratory), specialises in software for the construction industry.

for the construction industry running on Digital Equipment computers.

It made a pre-tax profit of DM3.8m in the year to June 30 on sales of DM31.9m. The founder director, Diethert Moench, will continue to run Technodata as part of the Hoskyns green.

kyns group. Hoskyns already owns the German computer company Programm-Standard Computersysteme, a supplier of Digital Equipment computers in Ger-

many and a leading provider of computer systems for the Gar-man wholesale distribution market. Hoskyns bought Pro-gramm-Standard last year. Consideration for Techno-date will be a total of year to

data will be a total of up to a simulation of the control of up to a simulation of the control o shares with a deferred consideration of up to 1.2m Hoskyns shares based on Technodata's profits for the period ending in October 1991.

CGS has agreed to buy 1.4m of the initial consideration shares from the vendors. The vendors of Technodata have undertaken to retain the balsince of the shares and any shares issued to them by way of deferred consideration until CGS makes its agreed offer for the Hesters shares to deep not the Hoskyns shares it does not

Central American Bank for **Economic Integration** (CABEI) U.S. \$20,000,000

Floating Rate Serial Notes due 1994 For the six months 11th October, 1990 to 11th April, 1991

In accordance with the provisions of the Notes, notice is hereby given that the rate of interest has been fixed at 811/16 per cent. per annum, and that the interest payable on the relevant interest payment date, 11th April, 1991 against Coupon No. 24 will be U.S. \$122.98.

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For further details write to:

FINANCIAL TIMES

AMERICAN BRANDS, INC U.S. \$200,000,000 5%% Convertible Debentures Due 2003

September, 1990

Due 2003

In accordance with Section 15(e) of the Fiscal Agency Agreement between American Brands, Inc. (the "Company") and Morgan Guaranty Trust Company of New York, Fiscal Agent and Conversion Agent, the Company hereby gives notice that as a result of the two-for-one split of the Company's Common stock, par value \$3,125 per share ("Common Stock"), in the form of a stock dividend of one share of Common Stock for each issued share of Common Stock on the close of business on October 9, 1990, the Conversion Price (as defined in such Fiscal Agency Agreement) of the above-referenced debentures has been adjusted from \$58.00 per share of Common Stock to \$29.00 per share of Common Stock.

AMERICAN BRANDS, INC. share of such stock.

AMERICAN BRANDS, INC
October 10, 1990

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AMERICAN BRANDS, INC.

U.S. \$290,000,000 5%% Convertible Debentures Due 2005

5%% Convertible Dehentures
Due 2005
In accordance with Section 15(e)
of the Fiscal Agency Agreement
between American Brands, Inc.
(the "Company") and Citibank,
N.A., Fiscal Agent and Conversion Agent, the Company
bersby gives notice that as a
result of the two-for-one split of
its Common Stock, par value
\$3.125 pet share ("Common
Stock"), in the form of a stock
dividend of one share of Common
Stock for each issued share
of Common Stock (including
each treasury share), payable to
holders of record of Common
Stock on the close of business
on October 9, 1990, the Conversion Price (as defined in such
Fiscal Agency Agreement) of
the above-referenced debentures
has been adjusted from \$79.00
per share of Common Stock to
\$39.50 per share of such stock. AMERICAN BRANDS, INC. October 10, 1990

AMERICAN BRANDS, INC U.S. \$400,000,000 7 3/4% Cournerthle Debentures Due 2002

In accordance with Section 14 (a) of the Fiscal Agency Agreement between American Brands, Inc. (the "Company") and Mongan Guernty Trant Company of New York, Facal Agent and Convention Agent, the Company hearby given notice that as a needs of the two-fee-con split of the Company of the Company hearby given notice that as a possit of the two-fee-con split of the Company of the Com the Company's Common Stock, per value 53.125 per share ("Common Stock"), in the form of a stock dividend of one stage of Common Stock for each issued share of Common Stock (mehding each (meholing each treasury share), payable to helders of record of Common Stock to holders of record of Common Stock on the close of husiness on October 9, 1990, the Convexion Rate (as defined in such Fiscal Agency Agencies) of the above-referenced debentimes has been adjusted from \$8,1834 shares of Common Stock for each \$5,000 principal smooths of such debentimes to 176,3668 shares of Common Stock for each \$5,000 principal smooths of such debentimes to the \$5,000 principal amount of such debentimes. AMERICAN BRANDS, INC.

OFFICE FURNITURE

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COMMODITIES AND AGRICULTURE

The seven pillars of oil market wisdom

Steven Butler examines the varied range of explanations for the recent doubling of crude prices

OME Of the best minds in the oil industry have been set to work in an effort to figure out why oil prices have gone so high in the aftermatic of Iraq's invasion of attermatic of Iran's investor of Kuwait. The explanations at times resemble the arcane intellectual meanderings of a medieval scholastic debate and may seem just as irrelevant— whatever the outcome prices are still that high, doubling in two months to about \$40 a bar-rel

none the less has important implications for oil company strategy and public policy. The Paris-based International Energy Agency, representing 21 industrialised counties, for example, has argued that it need not take emergency mea-sure because markets are adequately supplied with oil and that the price rise reflects only political uncertainty. Others argue that the price rise reflects a real shortage that would warrant release of gov-ernment-held strategic stocks or measures to restrain

• COMMENT

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All appear to agree, however, that the rapid rise in spot mar-ket prices and the speed with which it was passed through to consumers reflects the greater efficiency of oil markets com-pared to earlier oil market cri-ses. Nearly all oil contracts are now priced on spot market fluctuations, meaning that everyone is paying the marketdefined marginal cost of sup-ply, as economic textbooks would advise. Liquidity in the market has been improved by the growth of futures markets for crude oil and refined products in New York and London. Explanations for the price increase are not mutually exclusive; indeed they are reinforcing. However, the weight applied to each factor in the equation has important implications for a broad understanding of the market. The arguments break down roughly into seven lines of thinking.

• War premium: The most widely accepted explanation for the size of the price rise is

World oil supply and demand curves Oil price (\$ per barrel) 80 World oil demand 70 80 whatever the outcome prices are still that high, doubling in wo months to about \$40 a bardle why oil prices have gone up none the less has important amplications for oil company

Supply: without had 1990 tag & Kussat

> 0 World oil supplies (million barrels per day) Source: USS, Philips & Cheer

20 traq & Kuseatt

that more than half the increase is attributable to fears that a war in the Middle East will both disrupt exports from Saudi Arabia and lead to a rapid increase in military demand for oil. Sir Peter Holmes, chairman of Shell Transcript and Trade for extending the content and the co Transport and Trade, for example, has said that an "equilibrium" price for oil was below \$20 a herrel when the world had about 4m harrels a day of spare production capacity prior to the Gulf crisis, and roughly \$25 today, with that spare capacity gone. The difference between the market price and \$25 is the war premium.

25 is the war premium.
The IEA has accepted the logic of this analysis although it has, quite sensibly, not tried to identify any notional equilibrium price.
The difficulty with these The difficulty with these arguments, however, is that even in the best of times analysts are not very good at iden-tifying what the price of oil ought to be, or why prices have moved suddenly. Inevitably it is political developments, often explained away as market psy-chology, that appear to move the market on the day (or by the hour). It often takes many months of detailed analysis of statistics, which initially can

MR ROBERT Horton, chairman of British Petroleum, yesterday warned that the oil industry would be facing huge investment requirements in the years ahead if it were to avoid supply difficulties later in the decade. and called on governments to create an envi-ronment that would make this possible. "I believe government have really got to

look at the investment challenges in the 1990s," he said, at a London conference spon-sored by the Centre for Global Energy sored by the Centre for Global Energy Studies, which is chaired by Sheikh Ahmed Zaki Yamani. "Enormous investment is going to be required in the Opec countries." He said that investment would be required to boost productive capacity and that the world's aging tanker fleet would need refurbishment and replacement. And he added that large investments would also be required in refining, not only to cope with the rising demand for highly refined products, such as petrol, but also to cope with increasingly siringent environmental regulations.

"The role of government will be important

he quite inaccurate, for a sup-ply problem to be clearly iden-tified independently of price movements. It is thus difficult ing companies.

If this is true, it appears unlikely that any advice by political authorities to market will be heeded. If companies desire to hold more stocks prices will rise, regardless of whether stocks are rising or falling, unless supplies increase sufficiently to satisfy that demand One evaluation. to know whether the "war pre-mium" is \$15, \$10 or possibly much lum.

Stock building: Oil companies typically try to hold more stock during a crisis to cushion themselves against any supply disruption and this tends to that demand. One explanation for the rise in prices is that it reflects unsatisfied desire to

drive up prices, but the stock position of oil companies is hold stocks. rather murky at present.

Sheikh Ahmed Zaki Yamani,
the former Saudi oil minister,
this week called for oil companies to stop hoarding oil and to help bring down prices by releasing stocks to the market. The International Energy Agency, however, has argued that oil companies are in fact doing just that in an effort to co-operate with IEA calls to avoid excessive stock building. Yet Sir Peter says Shell does not have excess stocks on which it can draw because it operates on a minimum stock basis in order to avoid exposure to an unpredictable mar-ket. While commercial stocks are broadly adequate, he sug-gests they are held by many companies throughout the sup-ply chain and not just by a few

 Potential disruptions to sup-Potential disraptions to supply: With both oil production and refining facilities around the world working at full capacity, the oil supply system is extremely susceptible to disruption. This could be caused by extreme cold weather in any major consuming area, a breakdown of equipment or a strike in the North Sea, or a refinery explosion. Because of refinery explosion. Because of the known dangers of disruption to supply, which happen in the best of times, oil compa-nies would typically wish to hold a larger cushion of extra

 Inelasticity of supply and demand: In the short run the world cannot produce much extra oil, whatever the price, while demand tends to respond

hecease investment will require an adequate return," he said. He cautioned against, for example, adoption of a windfall profits tax for oil producers.

Mr Horion also said that RP was following the conclusions of a BP study of the 1979 oil crisis and was reducing its stocks on a nor-mal basis. The holding of stocks through a crisis is very costly indeed. We are managing

our own stocks to minimum levels."

Mr John Easton, US assistant energy secretary, also speaking at the conference, said the best that governments could do to ease the current crisis was to avoid inflaming the situation. "Twe given up hope that there is anything we can say that will calm the market," he said.

He also said that the US measurement was

He also said that the US government was constrained by US law concerning the condi-tions under which the US could release

"It presents us with the difficulty of decid-ing when there is a shortage," he said. "We can't exactly quantify what this is, but we think we'll know it when we see it."

mand curve illustrated, which was drawn by Mr Geoff Pyne, an analyst at URS Phillips & Drew. It shows an equilibrium price for oil at about \$20 before the invasion, and an equilibrium rium price close to \$40 with Iraq and Kuwait out of the supply picture. The supply curve would shift left again in the event of Saudi exports being

disrupted.

Mr Pyne says the graph is not a complete explanation of oil market behaviour because, for example, it does not take into account the stocking behavior of the oil companies. It does, however, offer a theo-retical explanation for the steep increase in prices in a case in which supply and demend an extracely inelection demand are extremely inelastic in the short run.

 Supply dialocations: The net loss of world oil supply may be small, less than 2 per cent, following production increases by Saudi Arabia, the United Arab Emirates, Venezuela, and other oil producers. However, a sig-nificant number of oil buyers found themselves suddenly without supply which they were desperate to replace. Since everyone is paying the marginal cost, the appearance

Alaskan field to get \$1bn boost

By David Thomas, Resources Editor

RECOVERABLE RESERVES and output from Prudhoe Bay in Alaska, the largest oil producing field in the US, are to be boosted by about 10 per cent as a result of a \$1bn investment in gas handling facilities.

of some buyers desperate to

replace lost supplies drives up

the price for everyone. It is through higher prices that the market reallocates oil between

new suppliers and consumers.

● Loss of refinery capacity/lower quality of crude of:

Three-quarters of lost oil sup-

but it has been replaced, but it has been replaced by lower quality, chemically heav-ier oil. The heavy oils in an ordinary refinery produce a large amount of heavy fuel oil,

not what the market really

wants. Although there was spare refining capacity in Japan and southern Europe, these refineries do not have

the sophisticated equipment lost in Kuwait to produce ligh-ter products, such as petrol,

from heavy fuels.

Therefore in order to produce the same amount of petrol, the chemical feedstock

rol, the chemical feedstock uspths, jet fuel, or heating oil, unsophisticated refineries must process much more crude oil (although they end up with a large amount of heavy fuel oil which they may then be unable to sell at a decent price). Even though 75 per cent of lost supplies may have been replaced, the replacement crude oil cannot replace 75 per cent of the lost product supply. Therefore crude oil may be in

much shorter supply than would be implied by the gross volume of crude oil that now appears to be available.

Unrealistic price differen-tials: Saudi Arabia last weck

lowered the price of its heavy truth oil relative to market de-termined light crude prices in markets where it sells. None the less, traders say the dis-count to light crude oil is still

too small to make the heavy crudes attractive. This is because the heavy crudes pro-duce too much heavy fuel, for which demand is weak. If the

which demand is weak. If the differential is too small, the relatively profitability of buying and processing light crude will be higher, regardless of the absolute price. This makes more buyers wish to purchase light crude and tends to push up prices.

SELENIUM: European free

TUNGSTEN ORE: European

75,246 lots

6,720 lots

8,453 lots

19,702 lots

The investment is to be made by the group of oil com-panies which own Prudhoe Bay, led by British Petroleum, Atlantic Richfield (Arco) and Exxon. Prudhoe Bay's total output

of crude oil, gas and conden-sates will be boosted by 100,000 harrels a day from 1995. It is currently producing about 1.1m b/d. Recoverable reserves will be increased by between 330m and 450m, about 7 to 10

per cent of current reserves.

The project will facilitate production by re-injecting gas into the reservoir. It will increase the field's gas handling rate from 5.3bm to 7.3bm cubic feet a day. In a joint statement, Mr Rob-

thon, Amerada Hess, Louisiana Land and Exploration, Texaco

and Shell.

BP and Arco, the field's operators, are also to examine options for reducing operating costs by sharing common ser-

ert Horton, BP chairman, and

Mr Lodwrick Cook, Arco chair-man, said: "At a time of Ameri-

can concern about long-term

oil supplies, this project will make a welcome contribution

and shows Alaska's potential to add significant domestic

BP will contribute about half the \$1bn investment, with most of the rest divided

between Arco and Exxon. It

owns 50.68 per cent of the oil and 13.84 per cent of the gas of Prudhoe Bay. Arco and Exxon each hold 21.78 per cent of the oil and 42.56 per cent of the

gas. The other companies with

an interest in the field are Mobil, Phillips, Chevron, Mara-

US farmers seek grain subsidies for Moscow

By Nancy Dunne in Washington

THE US farm lobby is intensifying pressure on the Bush administration to grant credits for Soviet grain purchases in the wake of reports that Canada has given Moscow credits for the sale of 5m tonnes of wheat and barley. In a letter to the preside

major farm groups warned the that "the Soviets will not purchase signficant amounts of US grain and other agricultural products except on credit terms, which the US government currently is unwilling to

grant."
The Canadian Wheat Board has refused to confirm reports of a major sale, and the US Department of Agriculture has been unable to get confirmation, But traders in the US
report that Moscow last week
bought 4m tonnes of Canadian
wheat — including feed wheat
and 1m tonnes of Durum and 1m tonnes of barley.
One USDA official said a

team of Soviet agricultural offcials recently visited Washington and then went on to Winnlpeg and Ottawa for "a courtesy call". According to the farm lobby the Soviet officials who visited Washington threatened to halt purchases unless credit was granted.

In Chicago, Mr Rick Bogart, commodity trader with Balfour Maclaine, said that reports of the Canadian sale circulated the markets last week and it was believed that there was "some credit" extended.

It is now a buyers market, he said. "It appears that business worldwide is simply a question

CRUDE OIL (Light) 42,000 US galls S/barrel

of giving credit." Meanwhile, the US has been giving increasingly generous export subsidies, some of which now equal 75 per cent of

the purchase price.
This is the last year of a five-year Soviet-Canadian wheat agreement under which Moscow promised to buy 25m tonnes. There is believed to be 4-5m tonnes of wheat still unpurchased under the pact. Canada is harvesting a nearrecord wheat crop this year. At the same time it is facing the loss of its Iraqi market at an estimated cost of 3m-im ionnes of wheat sales. The Wheat Board has granted credits to Moscow in the past but has not

done so for many years, the USDA official soid. The Bush administration has consistently resisted pressure to offer credit terms to Moscow on grounds that the Soviets first must legislate emigration

legislation may yet be some time in coming," the lobby said in its letter. "In the meantime, the Soviets have substantial commodity import and domestic food needs which they can ill afford to neglect.

The letter referred to "the current precarious state of the Soviet food system and expressed concern that food shortages would threaten the course of domocratisation and privatision in the Soviet Union. We believe the US no longer

sidelines of the agricultural commodity credits issue," it

BOYABEANS 5,000 by min: pensyl00ib bughai

Chicago

Broker forecasts switch to copper surplus

By Kenneth Gooding, Mining Correspondent

THE COPPER market can be expected to swing from a supply deficit of 44,000 tonnes this ply deficit of 44,000 tomes this year to a surplus of 200,000 tomes in 1991 which will send prices tumbling to much nearer the cost of production, according to Rudolf Wolff, the commodities broker.

It suggests that the London Metal Exchange three-month copper price, Excess a tome yesterday, will test £1,300 before the end of the year and

before the end of the year and the LME three-months price may decline to £1,000. Wolff, a wholly-owned sub-

dism natural resources group, assumes that OECD economic growth will alow from about 2.6 per cent this year to 2.2 per cent in 1991.

It says aluminium prices can be expected to continue rising in the near term and foresees deficits of supply of 55,000 tonnes this year and 63,000 tonnes in 1991.

Compared with a forecast

Compared with a forecast average of \$1,700 a tonne for may decline to 21,000.

Wolff, a wholly-owned subsidiery of Noranda, the Canaba 21,800 next year, "with a years. It said a recent cave-in

potential high of \$2,250 in the first part of 1991." Wolff also forecasts that wolff also forecasts that nickel prices will remain relatively firm, averaging \$4 a lb this year; because demand is currently, holding up and stocks are low. But prices are forecast to ease to a low of \$3.40 a lb in 1991 and to average \$3.50 a lb for the year.

Zaire's state mining

group, Gecamines, said yester-

commitments for 1990 and saw no problems for subsequent

at one its five mines, which helped to lift the world price to a 14½-year high, would not affect cohalt output. -Base Metals Outlook: 1991. From Budolf Wolff, Plantation House, 31 Fencharck Street, London BCRM MIX. LME WARRESOUGE STOCKS (As as Monday's closs)

MINOR METALS PRICES Prices from Metal Bulletin (last week's in brackets). per 76 lb flask, in warehouse, 189-200 (190-210). https://doi.org/10.1001/190-2101. free market, drummed molyb-dic oxide, \$ per lb Mo, in ware-house, 2.78-2.85 (2.85-2.92).

market 99.6 per cent, \$ per tonne, in warehouse, 1,650-1,700 (1,650-1,700). BISMUTH: European free BISEUTH: European free market, min. 99.99 per cent, \$ per lb, tome lots in warehouse, 2.80-3.00 (same).

CADHIUM: European free market, min. 99.5 per cent, \$ per lb, in warehouse, 2.40-2.60 (same).

COBALT: European free market, 99.5 per cent, \$ per lb, in warehouse, 18.00-14.00 (12.00-14.00). market, min 99.5 per cent, \$ per lb, in warehouse, 4.80-5.50

12.50).

free market, standard min. 65 per cent, 3 per tonne unit (10 kg) WO, cif, 36-49 (37-50). VANADIUM: European free market, min. 98 per cent, \$ a lb VO, cff, 2.75-2.85 (2.75-2.95). URANIUM: Nuexco market, min. 99.99 per cent, \$ 21.45 (same).

(Prices supplied by Amalgameted Metal Trading)

AM Official Kerb close Open Interest

WORLD COMMODITIES PRICES

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MARKET REPORT

Cocoa prices were in retreat in London vesterday, with a French trade house featuring as a seller during the afternoon session. Dealers said improved rains in expectations that crops in the region are likely to be better than was previously believed, heightening bearish sentiment. towards further losses after the convincing breach of support at £700 a tonne for the nearby December contract. New York cocoa prices were under pressure from both chart and currency

London Marketa

Crude oil (per berrei FOB)		+ 01 -
Dutoni Briest Stanid (Asset)	\$35.00-5.25y \$40.65-0.75	+1.57
Brent Blend (November)	\$39.85-40.00	
W.T.L (1 pm out)	\$40.35-0.30y	
Oil products (NME prompt delivery per to	onne CIF)	+ or -
Premium Gasciine	\$422-425	+45
Ges Of	\$356-356	+15.5
Heavy Fuel Off Naphthe	\$149-153 £389-363	+14
Potroleury Argus Estimates		
Other		+ 01 -
Gold (per troy oz)	\$396	+3.75
Silver (per troy oz) 🏚	46Bc	
Platinum (per troy oz) Pelledium (per troy oz)	\$450 \$101	+6
	\$2025	+50
Aluminium (free market) Copper (US Producer)	135c	T00 .
Lead (US Producer)	50c	
Nickel (tree mariest)	446c	+1
Tin (Kuele Luzpur merket) Tin (New York)	18.34r 2060	-4
Zina (US Prime Western)	73c	_
Cattle (live weight)?	98.99p	+0.50
Sheep (dead weight)	131.55p	+13.1"
Pigs (live weight)?	74.40p.	-230"
London daily sugar (raw)	\$364.8w	+54
London daily sugar (white)	\$313.0w	+25
Tate and Lyle export price		+3.5
Sarley (English teed)	\$117.28y	
When (US Dark Northern)	2166.5 IDO	•
	50.50o ·	+0.50
Rubber (Nov)♥ Rubber (Dec)♥		+0.50
Rubber (RIL, RSS No 1 Nov)		+0.5
Coconut oil (Philippines)	\$2704	
Palm Oil (Maleysian)\$	\$285y	- . ·
Copra (Philippines)\$	\$192.50	
Soyabeans (US)	2145 81.65c	+4
Wooltops (64s Euper)		- 29 ·
E a lonne trices otherwise	stated, p-se	navity.
c-centralib. s-ringgit/kg. q-N	ow/Dec. 1-Dec	u-OoV
Dec y-Oct/Nov. w-Oct/No		
194661 Commission averag	e futatock p	rices. *
chance from a week ago	. WLondon :	hydoal

hitting a 17-month low of 2385 a tonne in the morning. It closed at £390.50, a fall of £17. Bouts of short covering and profit taking purchases gave support on a market that earlier breached a major chart support base at £406 on follow-through liquidation prompted by the recent strength of sterling against the dollar. In New York frozen orange juice futures were limit down at midday on heavy speculative liquidation. "The speculators are balling out ahead of the crop report and on expectations there will be a Brazilian price cut," said one analyst. Compiled from Reuters

Close Previous High/Low 225.00 ISLUU 282.00 227.00 221.00 247.40 228.80 220.80 222.00 229.00 229.20 222.80 224.00 228.80 228.80 290.5 305.1 297.5 302.4 297.5 201.8 296.0 294.0 290.5 300.9 305.1 302.4 301.8

Turnover: Raw1179 (T127) lots of 50 tonnes. White 1021 (1179) Paris-White (FFr per tonne): Dec 1614 Mar 1884, May 1540, Aug 1580, Oct 1655 Nov 38,95 39.2 40.20 38,78 Dec 38.05 54.48 38,25 37.00 Imm 56,50 36,05 38,50 36,55 Feb 34,90 34.00 35,25 34.90 Apr 32,68 31,25 32,66 PFE Index 37,90 37,30 Turnover: 14354 (10864) QAS OF - IPE 358.00 341.50 358.50 345.25 342.00 328.76 348.00 332.00 323.50 321.00 336.00 324.00 320.00 308.25 324.00 314.00 304.00 292.00 570.00 386.00 294.00 272.00 290.00 276.00 270.00 251.00 270.00

C and ! Dundee BTC \$520, BWC \$540, BTD COTTON

Liverpaol- Spot and shipment sales assounted to 578 branes. Extensive purchases were recorded in most que Widespread interest in Pakastani and Turtish type collen among users.

700 678 740 716 761 740 782 768 865 784 830 517 855 639 Turnover: 5269 (3665) Jobs of 10 tonnet ICCO Indicator prices (30Ne per tonne). Daily price for Oct 5 960-7 (361.48) 10 day average for Oct 8 972.64 (974.03) 596 617 600 619 624 640 619 610 614 604 617 618 626 639 688

Nov	652	650	854	
ICO in	deator or	2141) lots o loss (US o by 75.47 (74	f 5 tonnes ents per poue 186), 15 day av	9 9
Dres (., ,		
POTA	1003 - A	mt	2	-
	Close	Previous	High/Low	
Mov	86.0	87.5	85.0	
Apr May	161.0 169.0	147.0 164.5	151.5 147,0 166.2	
Thursday	or 364 (18	14) lots of 4	D tooney.	
201		4-	20	ÇO,
	Close	Previous	High/Low	
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Turnow	,.,			
		NES - NE	E S10/fester	_
		Provious	7.000	pol
PRINCE	er Pertu	Provious	High/Low	pol
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115.29 110.80 109.45 107.90 106.80 105.70 104.40 116.00 133.30 0 119.89 0 108.40

How Hear Apr Jun Jul HEATING OE. 42,000 US galls, cents/US galls Total daily surnover lots 10296 9267 8447 8247 8157 8207 22.50 22.60 23.10 23.50 23.55 24.65 23.73 Close Previous High/Low 1214 1268 1297 1337 1364 1395 1429 1212 1266 1285 1337 1364 1427 COFFEE "C" 37,500lbs; cents/lbs 243/2 249/0 253/2 249/4 252/4 SUGAR WORLD "11" 112,000 lbs; cents/lbs 9.95 9.92 9.90 9.92 9.95 10.15 10.15 10.46 10.20 10.30 278/4 283/2 289/4 303/4 307/4 COTTON 50,000; cents/lbs 73.20 73.76 74.52 75.20 75.10 73.50 74.40 75.00 75.35 75.35 73.36 74.18 74.70 75.00 79.57 76.75 74.75 75.57 73.20 71.50 ORANGE JUICE 15,000 lbs; conts/fbs How 132.20 137.25 138.50 Jan 137.25 135.25 138.20 Hay 132.00 135.30 138.50 Jat 132.50 136.00 136.00 Jat 132.50 136.00 138.50 130.25 130.60 131.00 133.50

SOYAMEAN OIL 60,000 lbs; conts/lb Close Previous High/Low 22.78 23.06 33.46 23.82 24.05 23.95 22.70 SQYABEAN MEAL 100 tons; Sron MAZZE 5,000 bu min; cents/58th bushel 234/9 242/8 245/4 252/0 249/0 251/6 WHEAT 5,000 by min; conts/60th-bushe 279/2 292/2 299/0 301/4 305/4 LIVE CATTLE 40,000 lbs: cents/ibs 79.32 76.55 74.52 76.37 72.97 71.50 LIVE HOGS 30,000 lb; cents/lbs 57.20 55.15 56.05 54,45 51,53 48.22 52.25 RESTERS (Base: September 18 1931 = 100) Det 9 Oct 8 minth ago yr ago PORK BELLIES 40,000 lbs; cents/lb 1750.4 1744.1 1827.2 1857.1

65.20 64.82 64.15 63.25 81.60

64.45 64.45 64.17 64.25 63.82 63.63 62.90 62.17 61.60 61.20

DOW JONES (Base: Dec. 31 1974 -- 100)

Oct 8 Oct 5 mnth ago yr ago

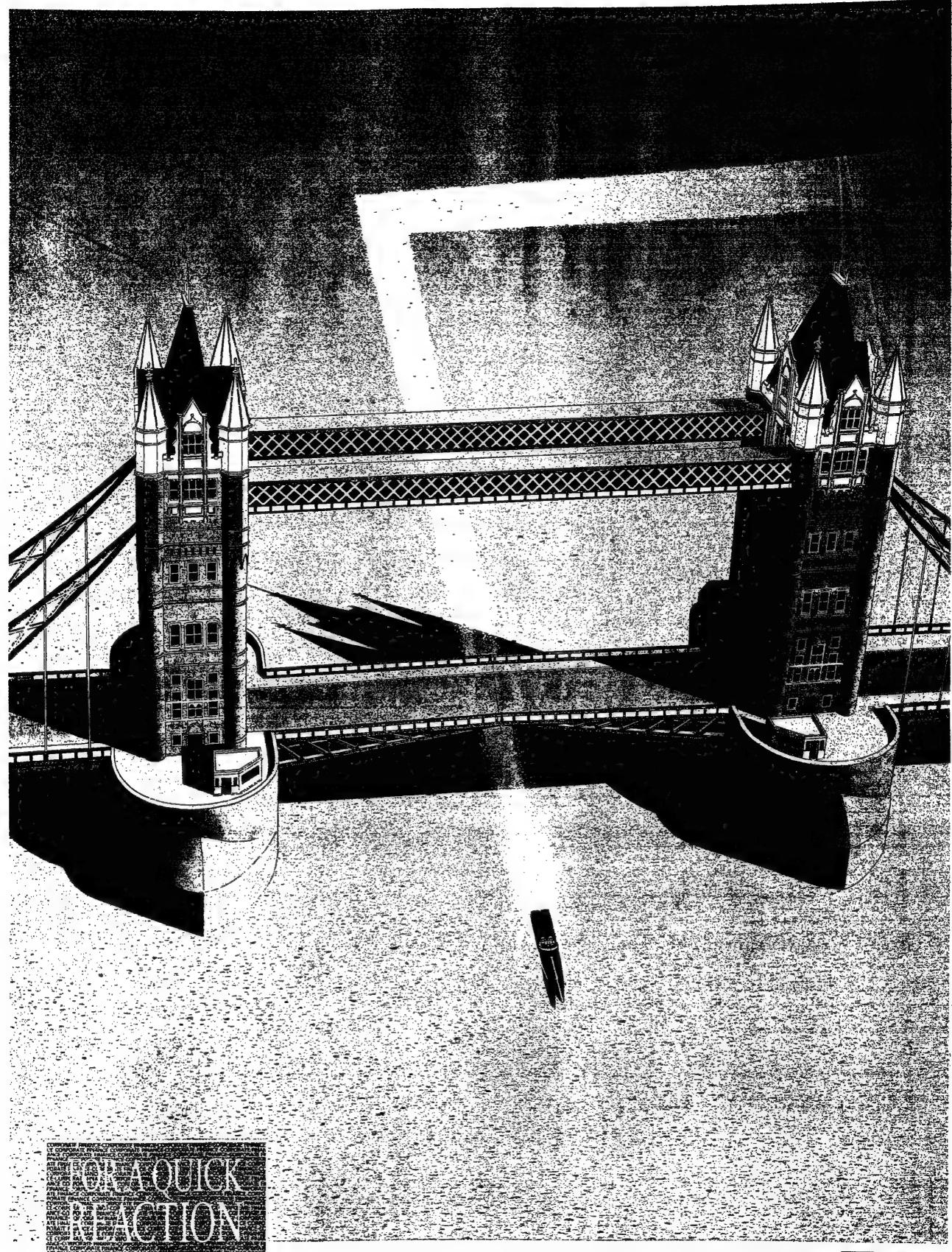
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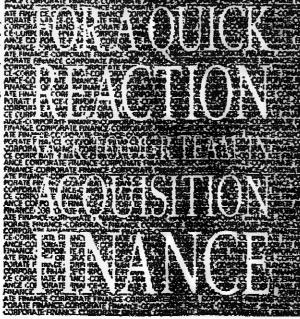
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Last March, The British School of Motoring put us to the test.

The management team required £25.5 million of Senior Debt finance

for their proposed buy-out.

And time, as always, was tight.

Yet, reacting at great speed, we completed the deal with a marathon thirty-six hour session that ended on Good Friday morning.

The transaction was very nicely rounded off with the successful syndi-

cation being 55% over-subscribed.

How then, you may ask, did we turn it round so quickly?

We have a team of thirty expert personnel who work with the very latest information technology.

These resources ensure that we can structure most offers within three days.

Furthermore, we can underwrite the deal and handle the personal financial requirements of the management at the same time.

If you'd like to know more about the way in which we work, Theo van Hensbergen on 071-920 5234 will be pleased to put you in touch with one of the team. Give him a call and we'll get straight to you.



NATIONAL WESTMINSTER BANK PLC, REGD. OFFICE, 41 LOTHBURY, LONDON, EC2P 28P. MEMBER OF IMRO.

LONDON STOCK EXCHANGE

Oil price sends shares sharply lower

response to heightened ten-sions in the Middle East, proved the final blow yester-day for a UK stock market already having second thoughts on the implications of Britain's full EMS participation and the accompanying cut in interest rates. Renewed selling by institutions gathered pace as Brent oil for November delivery topped \$40 a barrel and Wall Street opened the new session with a sharp fall

in the Dow Average.

Share prices started the day with widespread losses following some fairly negative com-

	t Dealing	Dates
Tirst Dealings Sep 24	Oct 8	Oct 22
Oct 4	Oct 10	Nov 1
Cot 5	Čc2 19	Nov 2
Oct 15	Oct 20	Nov 12
Thre-time deal	nga way lake Masa daya e	place from

into the European exchange rate mechanism. Several secu-rities houses reaffirmed concern over the level of the pound's entry, and downgraded some leading oversess earning **Stocks**

Both domestic and foreign institutions came in to sall stock, and some trading houses

made the mistake of assuming that the investment funds would try to buy the stock back later at lower prices, as some had done on Monday.

However, concern over the violent clashes between Israeli troops and Palestinians in Jerusalem drove all prices.

Jerusalem drove oil prices upwards. The market was fur-ther alarmed by a report in a London newspaper that Iraq might be close to producing nuclear weapons, and then by newsagency reports that Russian oil output was falling rap-

losses in fairly brisk activity with Seaq trading totals boosted by a handful of large

deals. Towards the end of the session, London elected simply to follow the trends of crude oil

and Wall Street stocks.
At worst, the FT-SE Index was nearly 70 points down and there was no substance to an attempted rally which left the Footsie at a closing level of 2,134.1, down 67.5 on the day but still 95 points higher than immediately prior to the ERM announcement last Priday afternoon.

Seaq volume totalled 823.8m shares, below the near-record 1.1km of the previous session, but substantially higher than some recent daily totals. However, yesterday's figure took in placings of 102m shares

renewed selling pressure and lost 7 to 72p, while Williams Holdings gave up 15 at 219p and MB Group shed 10 to 157p. Wessall wentbered the storm

owing to a sector analyst's first choice buy recommendation. However, the best the shares could do was remain at the

overnight level of 181p.
Brent Walker followed the

market down, although the company said that negotiations had reached an advanced stage

for the sele of a substantial part of the Goldcrest operation to the management of Gold-

crest. These are expected to be finalised soon, and posting of the circular and listing particu-

lars of the £103m convertible capital bond issue will be delayed to enable details of the Goldcrest transaction to be

included. Brent shares ended

12 lower at 97p. 82W published the first post-

ery sector, but it had little affect. Share prices were bent on following the wider market down and all leading stocks

encountered bouts of profit-FT-A All-Share Index

1000

Equity Shares Traded

Turnover by volume (million)

in Cadbury Schweroen, doublecounted on Seag, and 29.8m in De La Rue.

While the jump in oil prices, which boosted the oil share sector, was the main depres-sant in the market, there were other bearish factors closer to

ICI shares, also hit by the oil price, tumbled heavily to close with a net fall of several pence against its level last Thursday, despite the general rise in the market since then. The stock has been downgraded by BZW, and is widely regarded as also being vulnerable both to recessionary pressures in the UK and to the strength of the sterling DM rate.

less than the market, closing 5% off at 284p on a heavy turn-over of 11m shares, buoyed by the possibility that the remain-ing government-held shares would eventually be sold off.
Racal was down 3 to 159p
after profit-taking and nervousness over the economy, while

GEC retreated 11 to 188p on the back of feers of lower investment income next year combined with the effect of a strong pound. The group does about a third of its business group, fell sharply by 41 to 73p after a warning that if recent conditions continued, first-half profits would be at a similar level to that achieved last year. The announcement that International Leisure Group

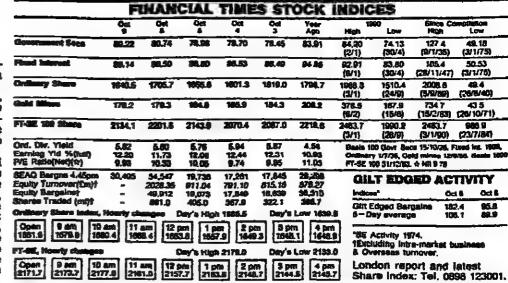
was not going to renew its contract next summer with Dan Air, the airline owned by Davies & Newman Holdings, heavily depressed Davies hares, which plunged 130 to 73p. News that British Steel had

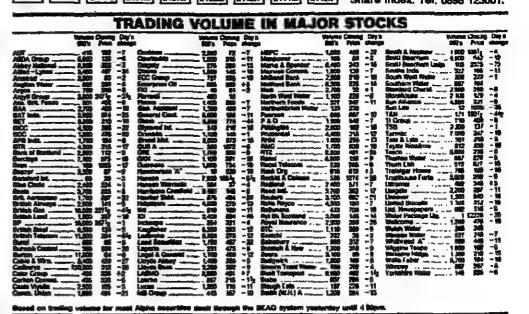
reopened talks over taking a 45 per cent stake in Aristrain, the family-owned Spanish steel family-owned Spanish steel company, prompted a heavy turnover of 6.5m. There were, however, mixed feelings about the prospects of British Steel cash being tied up during an economically tight period and the shares eased 5 to 124p.

A profits warning knocked back Cronite 8 to 35p.

back Cronite 3 to 35p.

Early reports that ADT had sold more of its stake in BAA to finance the latest purchase of LLC abures were later discounted and analysts put the fall of 16 to 405p down to read-justment after Monday's rise. LEP proved to be one of the very few rising issues on the





The steady rise in Eurotus-nel was halted. It was thought nel was halted. It was thought that investors, who had been holding or buying the stock until the refinancing package was announced, took the opportunity to sell and pushed the price back 23 to 4509.

Ocean Group, the diversified industrial services conglomerate, held up against the general gloom. Steady buying lifted the shares to 325p, Dealers said it was not whipped up by ERM enthusiasm.

Motor component issues

Motor component issues experienced pain as BZW claimed that they would be short-term losers, in spite of the longer term European sta-bility offered by ERM entry, because of "high overseas exposure and most debt over-

demand will be the overriding factor in 1991, added the investment bank. Dowty was hit hard and fell 19 to 172p, while Lacas Industries dropped 11 to 115p. Last week's downgradings returned to haunt Lex Service, down 12 at 183p.

Property shares returned as

Property shares retreated as part of the general market reaction. Trading volume was down on the last few days as many investors awaited fresh developments. One trader also developments. One trader also pointed out that some shares had risen to near a 25 per cent discount in relation to their net asset value, rather than the 30 to 35 per cent more readily

accepted.

British Land lost 19 to 257p, while Hammerson 'A' still

of overseas carnings by losing 10 to 530p. Land Securities fell 22 to 487p and UK Land gave

up 10 to 105p, S&U Stores, the retail credit and television rental concern, announced an increase in interim dividend to 2p from 1.5p as profits rose to £1.67m from £1.07m. The shares closed 7 firmer at 92p.

the market activity, respond-ing to the renewed strength of crude oil prices. BP finally recorded a marginal loss at 357%p after turnover of 15m, while Shell edged up to 4829 on volume of 6.6m.

■ Other Market statistics. including the FT-Actuaries share index, Page 30

Cadbury shares placed

GENERAL CINEMA finally managed to sell the bulk of its 16.7 per cent investment share-holding in Cadbury Schweppes yesterday. Barciays de Zoste Wedd and Cazenove took 102m shares on to their books and then placed them with institu-tions at 309p. General Cinema kept 13.2m of its stake to cover a debenture convertible into

Cadbury shares. General Cinema acquired the stake in Calbury in January 1987 and added to it in the wake of the 1987 stock market crash. While General Cinema's hopes for the Cadbury manage-ment were fulfilled, it was disappointed with the absence of

Analysts said General Cinana made several attempts to sell its share interest, most recently at 350p. There were suggestions that an attempt to sell at 315p had been made late on Monday but the market's decline forced it to cut the auking price to below 3090. Cadbury closed 23 lower a

812p on a tirnover of 250m. With hopes for a hid in the food manufacturing sector fad-ing, United Biscuits declined 15 to 312p and Banks Hovis McDongail fall 18 to 295p.

Maxwell sells stake

The other large placing of the day involved shares of specialist printer De La Rue. Nearly 30m were placed with a number of investment institutions by Smith New Court at 245p a share, from Maxwell Communication, which indicated last week that the holding of week that the holding of around 21.5 per cent was up for

The speed with which Smith completed the business during a particularly week session—the discount was believed to be only about 10p a share on the prevailing price—amphasised the merket's underlying appetite for quality stocks. Smith also cisimed that the issue was oversubscribed.

Ms Chris Munro of Houre Govett said that an oversub-

Govett said that an oversubscription came as no surprise to her. "With above average earnings growth forecast and increasing confidence in the restructuring programme, the shares of De La Rue look undervalued, she added. As news of the placing filtered through to the market, the

down 9.
General lests over the effects
on ICI of the rise in oil prices
and adverse currency move-

In spite of some uncertainty abead of the trading statement expected today, shares in Amstrad, the consumer electronics group, held on to their recent recovery in a generally weak equity market. Brokerage analysts expect profits for the year to fall by about 44 percent, but the shares outperformed the market yesterday, falling only 2 to 639 in brisk trading of 2.3m shares. The group has stood out strongly in a consumer sector expected to benefit from further reducto benefit from further reduc-tions in UK interest rates

menis were given an extra kick

before the end of this year.

BZW revised its forecasts from 21.20n to 21.05hn and from 21.20n to 23.06hn and from 21.17bn to 230hn respectively. It said it was particularly concerned about the commodity—chemicals sector—petrochemicals and plastics—stable to concerned to 22.25h.

Faint praise from the trade press over Glanc's new anti-mi-graine drug Emigran added to the concern about the group's overseas earnings and the shares alumped 44 to 772p on trading volume of 2.2m.

Reckitt & Colman lost a large chunk of Monday's sain

Reckitt & Colman lost a large chunk of Monday's gain, dropping 38 to 1274p.

The decision by the County Hall Development Group (CHOG) to appoint a receiver sent a shudder through the property sector. A delay in achieving a successful purchase agreement with the London Bathware Body on the £1.5 in

at 8p. The suspension was made pending clarification of its financial position. New largest Properties, with just a 2.8 per cent involvement, slipped 3% to 10%p. The latter also amnounced sharply lower profits for the half year of 1908,000, down from \$2.17m, and pointed out that the losses sustained through CHDG would not be reflected until the second-half figures.

second-half figures.
Other concerns affected by
the collapse included BICC, the
electrical cable and equipment

by a downgrading of 1990 and 1991 profits forecasts. The shares plummeted 45 to 834p

which it expected to see an 82 per cent drop in profits this

agreement with the London Residuary Body on the £1.5hn redevelopment scheme for the headquarters of the former Greater London Council was seen as the principal cause behind the fathers.

The listing of London & Metropolitan, which has a £3.2m investment and approximately £4.5m of guaranteed obligs tions in CHDG, was suspended at \$p. The suspension was

company, which fell 22 to 363p as a remit of its 12.2 per cent stake, and also reflecting a profits downgrading by BZW. TR Property Investment Trust, which holds 10.4 per cent, lost 4% to 29%p, while Edinburgh Investment Trust (7.9 per cent) shed 7% to 191p.

Building shares were pulled lower as the builtsh effects of ERM entry and lower interest rates evaporated. Most leading stocks were still well ahead of the levels prevailing before last

the levels prevailing before last Friday's double announcement, and the lack of fresh momen-tum encouraged investors to take profits.

take profits.

There was also a tendency to favour companies with a high proportion of UK earnings following a more cautious appraisal of overseas profits in the light of sterling's recent strength. However, there was insufficient interest to prevent nearly every leading share finishing on the down side.

RMC fell 18 to 630p and Tarmac shed 10 to 247p. Steetley lost 25 to 379p, while Higgs and Hill retreeted 19 to 232p.

Bank shares joined in the general retreat, and also showed some disappointment as the market started to accept that the next cut in UK base rates may not necessarily be just round the corner.

Among leading stocks, Barmac leat 15 to 202p with 7 lim

Among leading stocks, Berclays lost 15 to 390p with 7.1m shares traded, while Standard Chartered reacted to 290p for a

Chartered reacted to 290p for a loss of a.
Life insurers were equally depressed; Legal and General ended 12 down at 409p and Royal Insurance closed 26 lower at 369p.
The recent gains of many miscellaneous industrial lead-

ers were eroded in trading described as a puls mades of the previous day. Tradalgar House fell 16 to 1989, Bowater dipped 18 to 4889 and ECC lost 19 to 4859.

Cookson succumbed to

includes Enterprise CE taking. The message from BZW was "stick with spirits" and

was stick with spirits and the for this reason the invest-ment bank favoured Allied-Lyons, down 24 at 467p. Guinness, 19 off at 734p. and Grann Metropolitan, which full

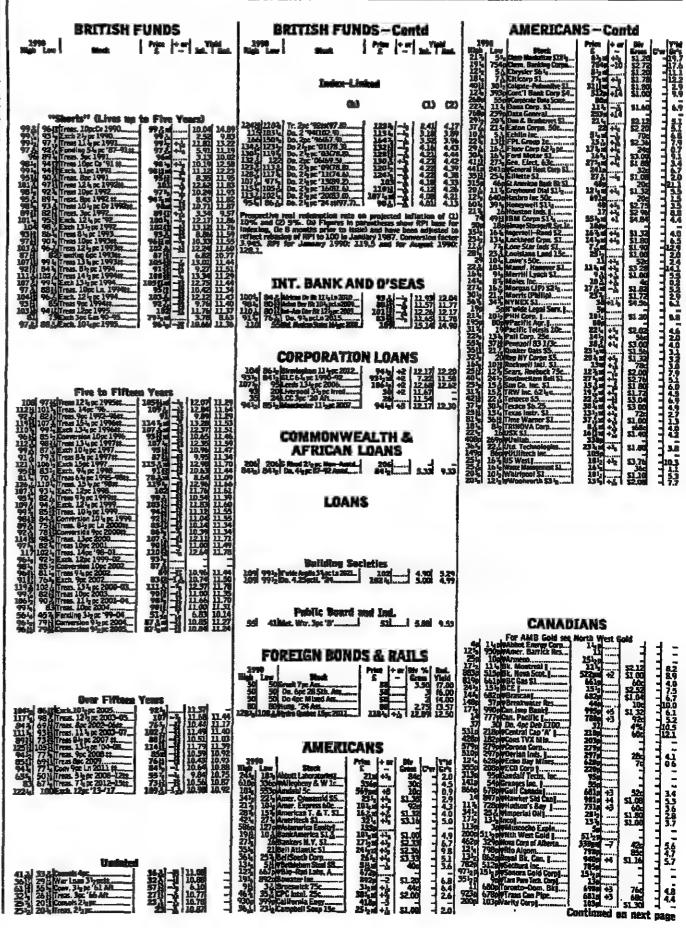
Grand Metropolitan, which full 16 to 573p.

Beas and Whithread, Monday's two high-filers, were rated holds only and the former reacted 17 to 1033p, while Whithread "A" slipped 11 to 45p. Scottish & Newcotle was regarded a sell and the shares shed 9 to 353p. One or two regional brewers bucked the trend but closing gains were small.

Cable and Wireless dipped again to close 27 down at 420p following continuing worries about profit downgrades.

British Telecom fell slightly

LONDON SHARE SERVICE



APPOINTMENTS

NEW HIGHS AND LOWS FOR 1890

Top post at Sale Tilney.



Mr Andrew Coppel, former finance director at Ratners Group, has been appointed chief executive at SALL

Mr Charles Berry has joined the group executive board of NORWEST HOLST in the new post of corporate development director. He was with Pilkington.

m Mr David G. Morris has ... been appointed to the new post of head of investment services of the ERISTOL & WEST BUILDING SOCIETY. He was chief executive of the Criterion

entrantical Production

Assurance Group. The society says one of Mr Morris's first responsibilities will be the recruitment training and organisation of 150 investment consultants.

Mr Joe Raftery and Mr Manuel Millor have been appointed to the board of SECURITY PACIFIC INSURANCE GROUP. Mr Raftery remains chairman and chief executive of SP Insurance Services. Mr Millor, a non-executive director, is group chief executive of Toplis and Harding.

appointed managing director of POLYMARK LAUNDRY SYSTEMS, Banbury. He was executive director of Lodge-Cotterell, UK subsidiary of Dresser Industries Inc.

Str John Fairclough, recently chief scientific adviser to the Cahinet, has joined the board of THE OXFORD INSTRUMENTS GROUP as a non-executive director.

I he Stephen Midard managing director of Actron UK, has been appointed to the main board of the parent company, ACTRON, Zurich

ALBRICHTON has appointed Mr Kenneth Scobie He was chief executive of Blackwood Hodge.

■ SCHLUMBERGER INDUSTRIES ELECTRICITY MANAGEMENT has promoted Mr John Heathcock as director of sales in Felinstowe. He succeeds Mr Tony Mahoney who is moving to international sales in the Paris office. Intensifying TORESHIRE BUILDING SOCIETY has appointed Mr

Colin Millar as general manager (marketing/sales). He was marketing director at The Mortgage Corporation. Mr Michael Pugh has been elected to the board of THE DE LA RUE COMPANY. He

is managing director of Thomas De La Rue currency division. ANZ GRINIXAYS BANK

has appointed Mr Nick Alexander of Carl Alexander as senior manage marketing, private banking.

COUNTY NATWEST INVESTMENT MANAGEMENT has appointed Mr Roger Bartley as chief investment officer. He joins from Deutsche Bank Capital Management (UK) where he was chief investment officer.

Sir Paul Girolami, chairman of Glaxo Holdings, has been elected to the board of CREDITO FTALIANO INTERNATIONAL, UK merchant banking arm of Credito Italiano.

 WILDING OFFICE EQUIPMENT has appointed Mr David Wilson as finance director. He was corporate planning and business development manager, Erskine security group's management # Mr Martin Richardson, a

director of RACAL.

ELECTRONICS, has been appointed chairman and chief executive of the company's electronic security businesses, and chairman of the Racal-Guardall companies. He relinquishes responsibility for the Racal Radio Group, where he is succeeded by that group's deputy managing director hir Geoffrey Bennett. The company says the moves have company says the moves have been made "to intensify the management of the security businesses," which is the largest single activity of the

Mr W.R. Davenport has been appointed managing director of the Davenport & Robinson division of BROWN SHIPLEY INSURANCE SERVICES Devenport & Robinson was recently acquired by Brown Shipley Instrance Group

■ Mr Michael Adams, group curporate finance director of LM. GROUP, West Bromwich, has been appointed chairman of financial services subsidiary, LM. Finance,

Mr David Stuart has been appointed marketing director designate of COLIN STEWART MINCHEM, Winsford,

LONDON SHARE SERVICE

ELECTRICALS - Contd Banks, HP & Leasing Pice - Bit | Will | Pice | 1978 | C | 1979 | ENGINEERING — Contd INDUSTRIALS (Miscel.) - Contd BUILDING, TIMBER, ROADS INSURANCES

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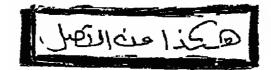
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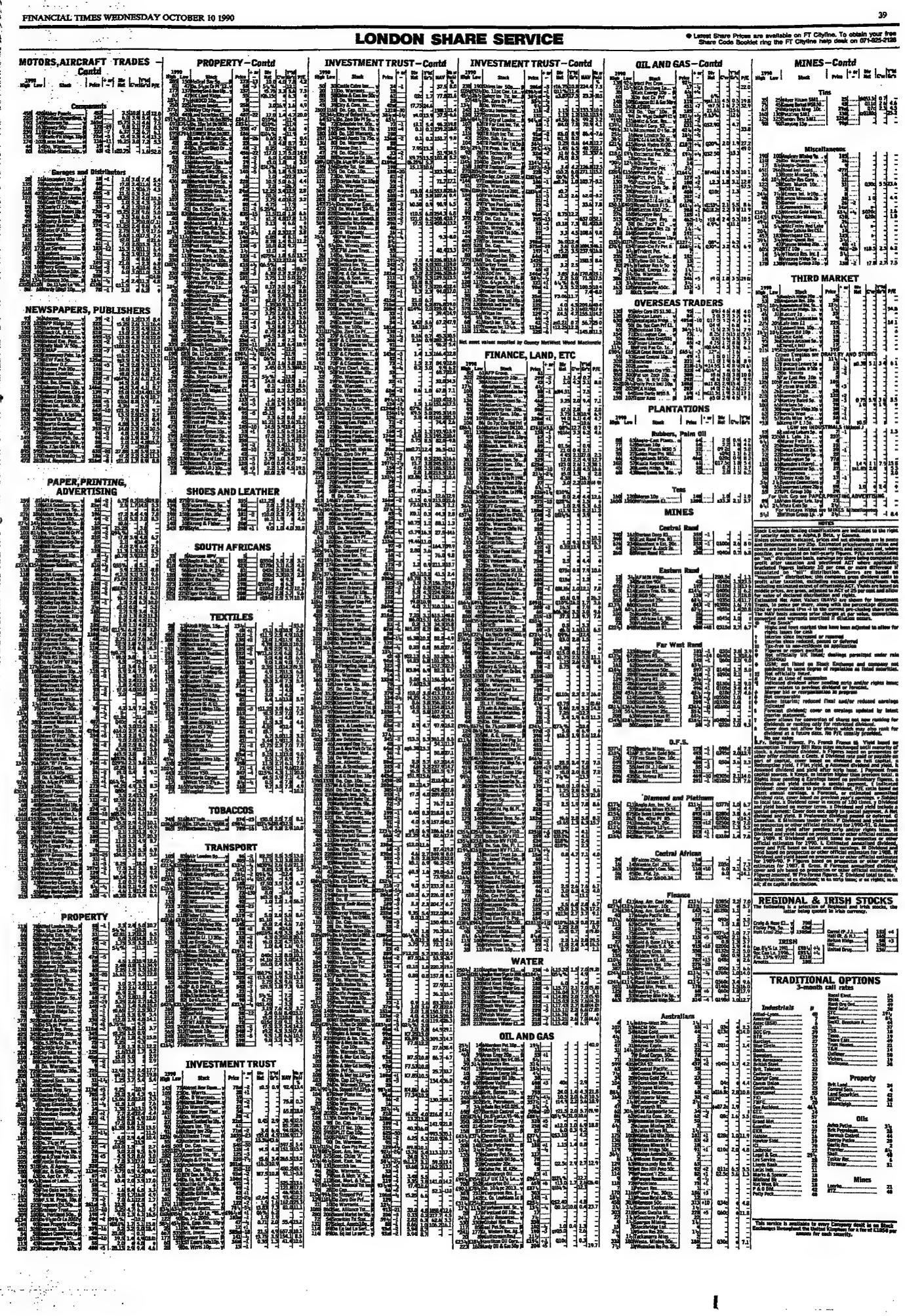
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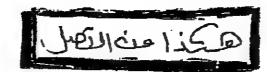


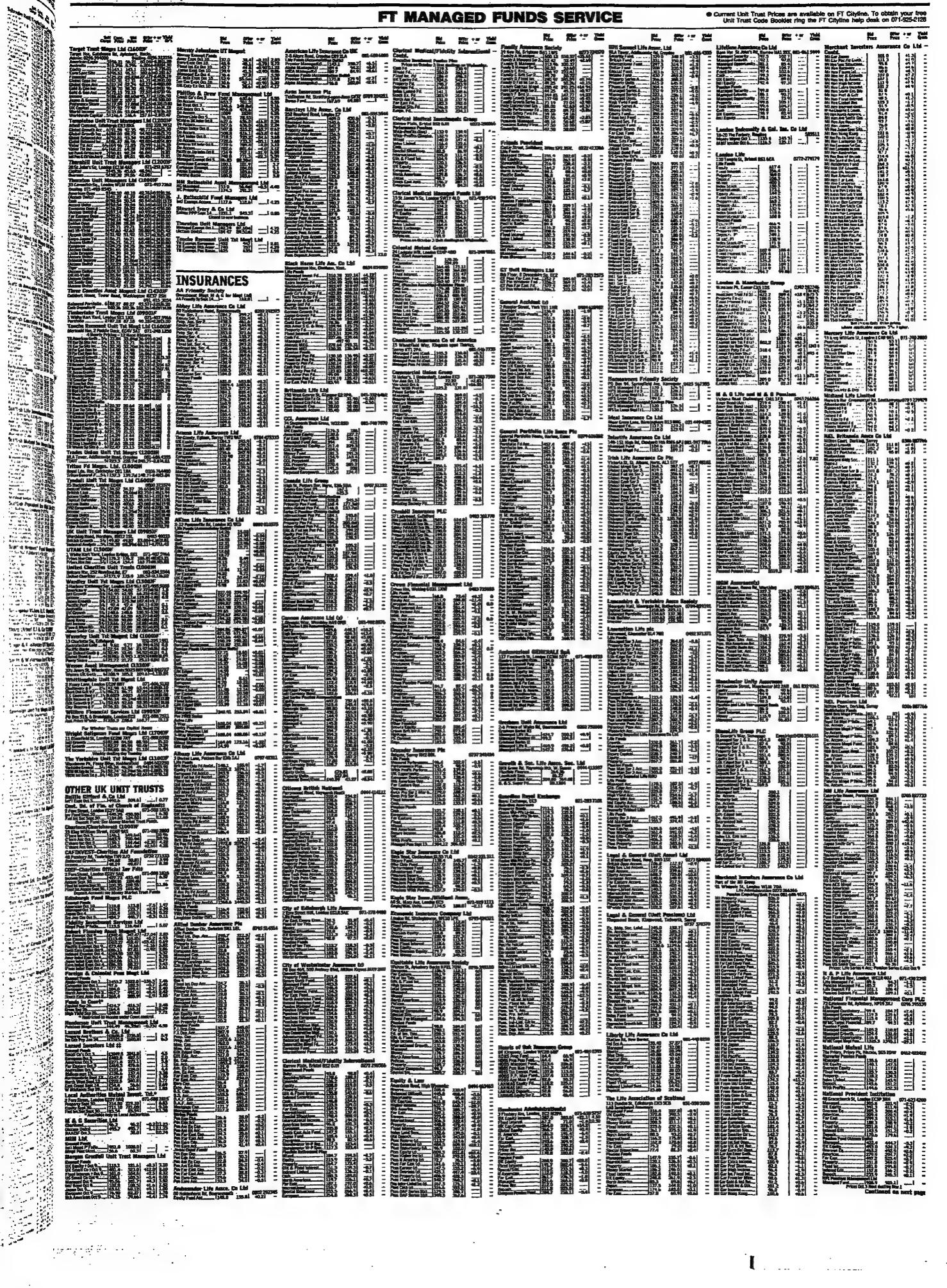
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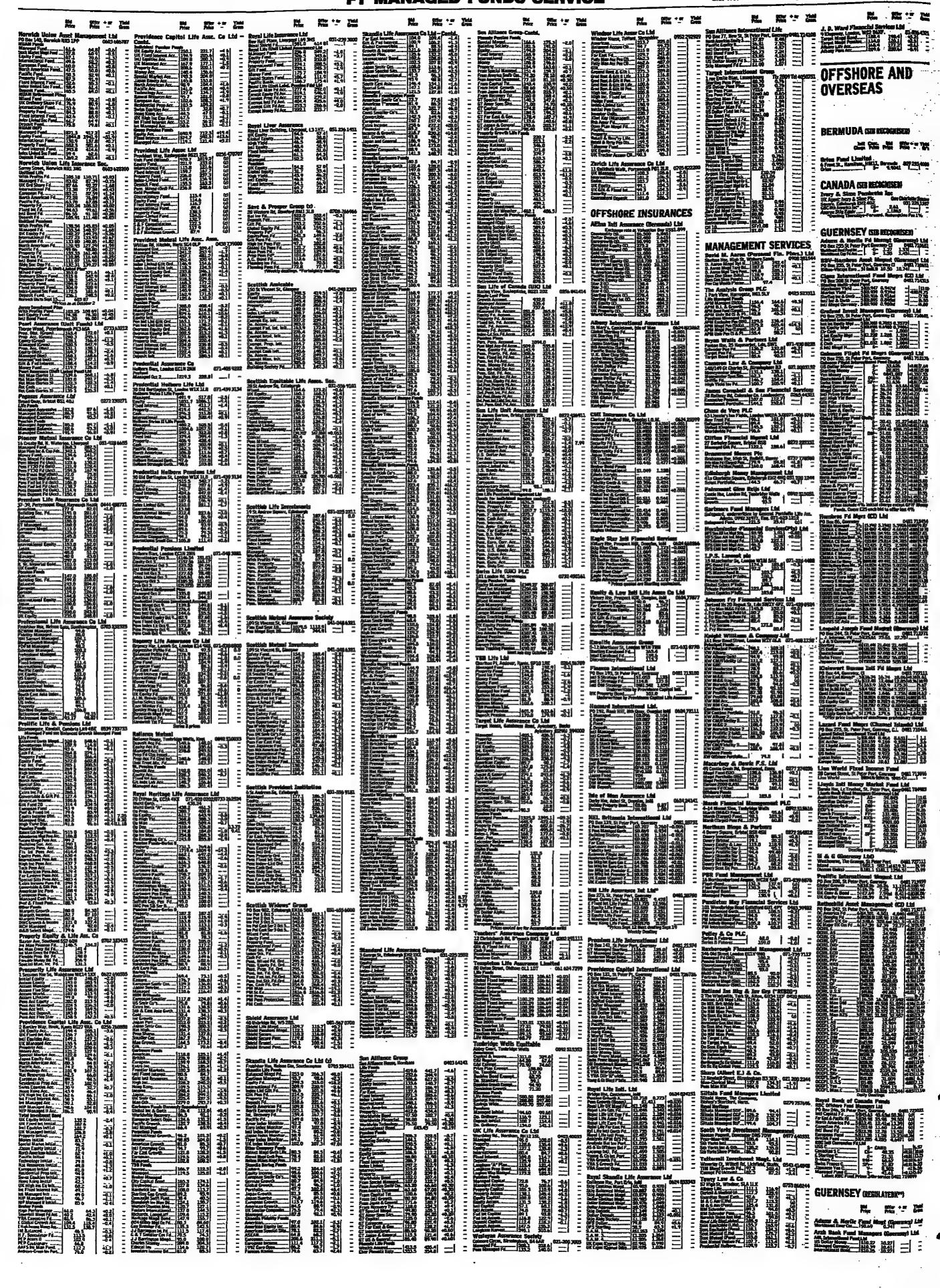
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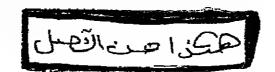
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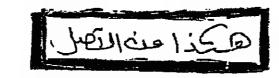
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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar and sterling retreat

THE DOLLAR and sterling lost ground yesterday, with the US currency falling to a record low against the D-Mark, while the Bank of England supported the bank the pound as it hovered just above the DM3.00 level.

President George Bush signed an emergency budget bill enabling US Government departments to keep function-ing, but the markets were scep-tical about the likely success of a credible budget cutting agreement by the time the interim bill runs out on Octo-

An effective budget package may lead to lower interest rates, putting downward pres-sure on the dollar, but the cur-

rency is also suffering from the perceived lack of cohesion in US policy making.

After falling to a record trading low of DM1.5195 the dollar finished in London at an all time closing low of DM1.5255 compared with DM1.5345 on Monday. In Frankfurt it was Monday. In Frankfurt it was fixed at a record low of DM1.5293 without intervention by the Bundesbank. Against the Japanese ven the US cur-rency declined to Y130.30 from Y130.65, but finished about the Tokyo close of Y129.95. It also fell to FFr5.1050 from FFr5.1375 at the London close and was fixed in Paris at FFr5.1185, the lowest level since April 1981. It

61	n new Y	ONK
Oct.9	Latest.	Previous Close
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fall to	20 B 6		0 12		

The Bank of England bought a small amount of sterling. a small amount of sterling, according to dealers, but this appeared to be a move to steady the currency after its recent volatility, rather than to defend any particular rate. Selling of the pound was seen from a large Middle Eastern bank, probably to take profits after sterling's sharp rise on joining the exchange rate mechanism of the European Monetary System.

Monetary System. Monetary System.

Dealers suggested that despite the short-term profit taking, there is also strategic buying of sterling at present, in the belief that it will move up again once the dust created by ERM entry has settled. Within the system the pound was 2.37 per cent above its central rate against the weakest

placed Italian lira, against 294 per cent on Monday.

The pound touched a low of DM2.9975, but traded slightly above DM3.00 for most of the day, closing at DM3.0050 against DM3.0300 on Monday. Sterling also fell 35 points to \$1.9705, while declining to FFr10.0600 from FFr10.1425; to SFr2.5175 from SFr2.5350; and to Y256.75 from Y258.00. The

to Y256.75 from Y258.00. Th pound's index shed 0.4 to 96.1 Other members of the ERM traded fairly steadily, but the D-Mark was given a mild boost by the weakness of the dollar. The French franc was also form promoting some sharely and the first promoting some sharely as the first promoting some sharely as the first promoting some sharely as the first promoting some sharely statement. firm, prompting some speculition about lower official inte est rates in Paris. Last week the French Finance Ministry ruled out an early cut in rates because of the Gulf crisis, call money fell to 9% per cyesterday, below the Bank France's 9% per cent inter-

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BASE LENDING RATES

Emeztoriză Bank nit :..

MONEY MARKETS

UK rates firmer

THE MOOD of euphoria showed signs of fading in Lon-don's financial markets yesterday. Money market rates were slightly firmer and prices of short sterling futures declined as sterling fall back towards the DM3.00 level on the foreign

Three-month sterling interbank rose to 13%-13H per cent from 13½-13½ and 12-month money was quoted at 13½-13 per cent against 13½-12½. Short sterling futures continued to trade quite actively

UK elearing bank base landing rate 14 per cent from October 8, 1990

on Liffe, but showed little overall movement. December delivery opened lower at 86.84 and touched a low of 86.77, before closing at 86.82 compared with 86.88

previously. A day-to-day credit shortage of £200m on the money market was initially forecast by the Bank of England, but this was revised to £250m in the afternoon. The authorities did not operate in the bill market during the day, but provided late assistance of £180m.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £520m, with bank balances below

target absorbing 25m. These outweighed Exchequer transactions adding 2240m to liquidity and a fall in the note

circulation of £85m.

In Brussels the Belgian
National Bank cut the rate on
its main instrument of credit policy, three-month Treasury bills, by 0.05 per cent to 8.90 per cent. Rates on one and two-month bills were reduced by a similar amount to 8.85 and 8.90 per cent respectively. Four-month paper, issued by the Securities Regulation Fund, was also cut by 0.05 per

cent to 3.05 per cent.

The relative strength of the Belgian franc in the EMS has allowed the central bank to cut rates steadily in recent months. The last reduction, also of by 0.05 per cent, was made on September 24.

In Frankfurt call money remained at 8.05 per cent, as the money market awaited the outcome of this week's securities repurchase agreement tender. The Bundesbank offered liquidity through a 28-day pact at variable bid rates. This is to replace an earlier 28-day facility of DM23 the expiring facility of DM23.1bn expiring

today. Rates at the tender are expected to be at or above the 8 per cent Lombard emergency financing rate, and dealers hope the central bank will fully replace the expiring

FT LONDON INTERBANK FIXING (11.00 a.m. Oct.9) 3 months US dellars & nearths US Bollars

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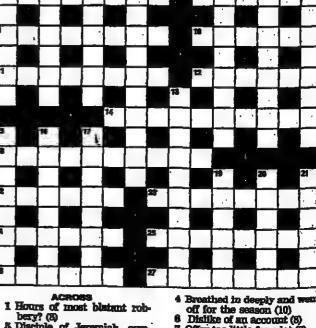
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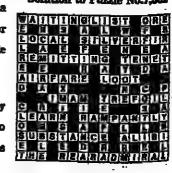
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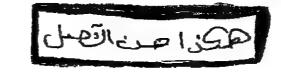
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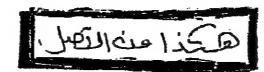
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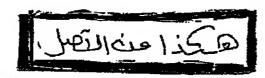
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For a full editorial synopsis and advertisement details, please contact: MEYRICK SIMMONDS on 071-873 4540 or write to him at:

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Weak dollar and dismay over budget upset Dow

Wall Street

DISMAY OVER the budget deficit reduction pact combined with higher oil prices and a weaker dollar to push US equities broadly lower yesterday morning in light trading, writes Karen Zagor in New York.

At 1.30 pm, the Dow Jones Industrial Average was down 42.32 at 2,481,44 on fairly thin volume. The stock market retreat was broadly based, with declining issues leading those advancing by 11 to three. At 1 pm, the Standard & Poor's 500 index was off 5.48 at 308.00. On Monday, the Dow closed 13.12

higher at 2523.76. Stocks moved in tandem with bonds yesterday morning, when the treasury's bench-mark 30-year long bond was light lower, yielding 8.94 per cent. Both the bond and equity markets were shaken by the seeming inability of Congress to agree on a credible budget

Increasing tension in the Middle East further depressed the markets while oil prices rallied. At midsession, Novem-ber crude oil was up \$1.51 a barrel at \$40.46.

Wall Street was also upset by weakness in overseas markets, with stock prices ending mixed in Tokyo and London stocks moving lower.

Motorola plunged \$6 to \$53% in heavy trading after the elec-

pointing third-quarter earn-

Although Motorola's profits of 78 cents a share were higher than the 69 cents reported a year earlier, analysts had expected the company to report earnings of between 82 cents and \$1.24.

Travelers Insurance lost another \$% to \$13% in spite of an announcement of plans to preserve capital and support its troubled real estate portfo-

Dow Jones tumbled \$2 to \$20% after an analyst at Gold-man Sachs reduced the earnings forecast for the company.
On Monday, Dow Jones reported lower-than-expected third-quarter earnings.
General Cinema added \$1%

to \$18% after the company said it had sold its entire investment in the UK's Cadbury Schweppes apart from 18.2m ordinary shares which are held in escrow. General Cinema said the sale would result in an after-tax gain of about \$1.10 a share in the current quarter. Hanson's American depository receipts lost \$1 to \$18% after the company said it would reduce its investment in Newmont Mining to about 28 per cent from 49 per cent. New-mont Mining fell \$1% to \$38%. Upjohn added \$1% to \$38 in a

second day of heavy trading amid rumours that the company was a takeover target.

Among other blue chip issues, IBM fell \$2 to \$107%, Philip Morris moved \$1 lower to \$46%, Boeing rose \$% to \$44% and General Electric lost

\$1% to \$53%.
Oil stocks, which have provided a focal point for the stock market since the Gulf crisis began, were mixed, as oil futures soared past the \$40 a-barrel level. Mobil slipped \$1 to \$60, Texaco advanced \$% to \$60%, Occidental Petroleum was unchanged at \$18% and Amoco was off \$% to \$56%. Among oil-service company issues, Schlumberger fell \$% to \$62%, Dresser Industries added \$% to \$19% and Halliburton slipped \$% to \$53%.

TORONTO stocks slipped fur-ther at midday after opening lower on higher oil prices, renewed concerns about the renewed concerns about the Middle East and questions over the US budget. The composite index lost 9.4 to 3,157.4 on volume of 12m shares. Declines led advances by 192 to 170.

Canada Packers firmed C\$%. to C\$10 after it said it planned to dispose of more assets in the

Among active shares, Nova eased C\$% to C\$7%, Canadian Pacific was flat at C\$17%, Laid-law slipped C\$% to C\$20% and

Political uncertainty haunts the Philippines

The failure of the latest revolt is unlikely to reassure investors, writes Greg Hutchinson

RELIEF WITH the sup-pression of a military revolt at the weekend in the Philippines has lifted the Manila stock market 11 per cent this week. But the political and economic uncertainty - which had caused the Philippines' twin stock markets to shed 38 per cent of their value in the three months before the rebellion - remains.

The surrender at the weekend of rebel leader Colonel Alexander Noble, who had seized military camps and proclaimed independence for Mindanao island last Thursday, is unlikely to reassure investors that political stability will last for long. Indeed, Mr Fidel Ramos, defence secretary, warned this week that he could not rule out further coup attempts. Last week's rebellion followed a serious revolt in

The Manila and Makati bourses were never large, but before last December's bloody coup attempt there was a prev-alent view that they would be strong performers into the 1990s. They were expected to mirror a robust performance in the real economy.

Last November the Manila

composite index stood at over 1,350 and gross national prod-**ASIA PACIFIC**

uct (GNP) was growing at Philippines about 6 per cent annually. Yes-terday, the index stood at 571.81 and most brokers believe it could test 480, irrespective of whether peace breaks out in the Gulf. Even before the rise in international oil prices sparked by Iraq's August 2 invasion of Kuwait, the econ-omy was thought to be grow-ing at less than 3.5 per cent. A severe drought, a power shortage, a destructive earth-quake and typhoon-spawned floods have all weighed on the economy. Mr George Uy-Tioco, 400 Nov'89 president of Philippine Asia Equity Securities, a First Pacific company, predicts GNP growth may be only 2.5 per cent this year - "and next year it could even be worse". "I am very, very concerned looking at 15 to 18 months down the line," he says, citing prevailing high interest rates - prime rates are now 27 per cent - and sharply lower earn-ings growth expected for nearly all listed Philippine companies. "Much depends on the Middle East outcome and hard decisions the government

Manila S.E. composite price index 1990 Source : Datastreem

contract workers in the Middle East, causing a sudden con-traction of foreign exchange remittances to the Philippines.
Also, the government lifted oil prices by an average of 32 per cent late last month, although the rise was largely offset by a tax adjustment which benefited the country's oil wholesalers and petroleum consumers, ensuring mainte-nance of an unrealistically high government oil price sub-sidy. The oil price decision has increased pressure on the country's budget and balance of payments deficit.

Meanwhile, investor pessi-

entrenched with every Manila bomb attack - mostly blamed on right-wing army rebels and targeted against high-profile local and foreign businesses. One of the latest attacks was on Saturday night, after the defeat of the military rebellion. Recent attacks have been against American companies, an apparent attempt to scare away foreign investors and underline opposition to the continued presence of US military bases in the country. "If the objective is to frighten us, they are succeeding," said an executive of an international company, where a dynamite device was detonated just before it was due to explode late last month.

late last month.

As far as the stock market is concerned, the impact of the bombings and the Gulf crisis is summed up by Mr Patrick Garcia, vice-president of Manila brokers Garcia and Associates: "Why buy cheap stocks when you know they will get cheaper by the day?"

by the day?"

Ms Carolyn Kabigting, research manager at Anscor Hagedorn Securities, the Phi-lippines' largest broker, sees lean times - both for values and volumes - into the second quarter of next year. Provided

the Gulf crists has eased, the market is expected to pick up slowly from mid-1991 as can-paign spending begins for the May 1992 presidential elections. mism becomes further

she says. The stocks with a better chance of weathering the con-tinuing storm, according to Mg Kabigting and Asia Securities' Mr Uy-Ticco, are Philippine National Bank and Philippine Long Distance Telephone. The bank stock is little affected by the fall-off in Middle East remittances and is seen as ben-efiting from the country's high

interest rate regime.
The telephone company, which is also listed in New York, should receive a boost from foreign exchange gains due to the depreciating Philippine peso. Also a 20 per cent reduction in international call charges earlier this year has raised company revenue through increased usage, notes Ms Kabigting.

Ms Kabigting.

Country and regional funds are taking a cautious position on Philippine stocks. Where eastern Asian regional funds a year ago allocated 9 per cent of their portfolio to Philippine listed companies, now they earmark 5 per cent and, in one case, only I per cent to Manila case, only 1 per cent to Manila and Makati stocks.

Rally proves short-lived as oil price moves higher

THE CONTINENTAL rally was Fi 109.8 short-lived, as bourses resumed their bearish course yesterday. investors were encouraged to take profits by the rising oil price and remarks by Iraqi President Saddam Hussein, writes Our Markets Staff.

FRANKFURT fell sharply in the last half how sex traders

the last half hour as traders, after hearing that US equities were moving lower in the pre-market in London, marked down prices to avoid taking a long position on board. One broker said that, of the few institutional orders he received, most were on the sell

The DAX index lost 32.12 or 2.2 per cent to 1,483.41, while the FAZ index, calculated at midsession, was 3.79 or 0.6 per remained thin at DM3.6bn after

DM4bn on Monday. Losses were across the board, with Deutsche Bank DM12.30 to DM607.50 and Siemens down DM13.50 at

DM549.50. Allianz, the insurer, was par-ticularly hard hit, falling DM120 to DM2.150, as the pros-pect of a fresh supply of stock from its recently announced rights issue weighed on the share price. Dealers said that the syndicate involved in the placing of the new stock was not strong enough to support the share price in the current market climate.

AMSTERDAM sank under an assault of bad news from the corporate sector. The CBS ten-dency index fell 2.7 to 92.8 in

thin trading. Nedlloyd, the energy and transport group, plunged FI 6.80 or 15.5 per cent to FI 37 after announcing that it expected an unspecified net loss in 1990 after a net profit of Fl 252m in 1989. The company also planned to cut 420 jobs at home. The stock has lost 66.3 per cent since its 1990 high of

France (123)

Malaysia (35) Mexico (13)...

Switzerland (67)

134,77 187,82 134,41 127,80 246,30 103,36 135,54 119,02 157,24 85,63 126,82 187,37 496,40 151,65 160,47 139,41 183,12 92,01 173,28 92,01 173,28

186,41 126,80 132,16 126,29 118,82 123,28 132,50 125,02

+1.1 101.22 +0.1 141.075 +0.3 95.83 +0.4 184.76 +0.5 177.63 +2.7 101.85 +2.4 89.55 +4.1 118.10 +0.6 140.73 +2.8 172.83 +3.8 100.53 -1.0 141.72 +2.8 172.83 +3.8 17

+3.6 104.70 +2.0 140.01 +3.8 95.09 +3.7 99.25 +0.6 94.85 +2.9 89.24 +1.3 92.59 +3.6 99.52 +2.3 93.90 +2.5 96.96 +1.9 99.06

111.30 155.12 111.00 105.37 203.35 111.76 93.46 129.86 70.72 104.74 45.86 125.25 132.53 115.14 151.40 75.99 143.09 104.31

To add to the gloom, specula-tion mounted that KLM, the troubled national airline, would omit to pay a dividend for the 1990/91 year. KLM, which paid F1 1.80 a share the previous year, said last week it could suffer a considerable loss

this year because of greater fuel, insurance and deprecia-tion costs. The stock eased Fl 1 to Fl 20.40. Philips, which said it would cut 4,900 jobs in its information systems division as part of its restructuring plan, fell 60 cents

PARIS fell 2.2 per cent on profit-taking, with the CAC 40 index losing 34.70 to 1,551.46. Turnover remained light, esti-mated at FFr1.3bn.

Rumours that Paribas was looking to sell its controlling stake in SCOA, the trading company, pushed SCOA FFr1.50 or 9.3 per cent higher to FFr17.60 in h

403,600 shares.
Accor, the hotels group, eased less than the overall market, falling FFr11 to FFr710 after announcing a 50 per cent rise in first-half profits, which was in line with expectations. By contrast, Dumez, the con-struction group, dropped FFr34 to FFr597 after reporting poor first-half figures; its merger partner, Lyonnaise des Eaux, fell FFr30 to FFr447, but GTM Entrepose, described by one analyst as the jewel in the Dumez crown, ross FFr10.50 to

Profit-taking pulled Eurotunnel FFr2.15 lower to FFr45.45 nel FF72.15 lower to FFF8.50 after the confirmation of the group's refinancing package. Pernod, the drinks company, lost FF737 to FF7863 after saying it was selling its champagne subsidiary, but the higher oil price lifted Elf Aquitions FFF8 to FFF881. taine FFr9 to FFr660. MILAN ended lower in a lacklustre session with light

foreign selling; domestic mutual funds were absent. The oil price rise above \$40 a harrel soured sentiment, as Italy imports more than 30 per cent of its energy needs. Volume was estimated to be around Tuesday's L87.6hm, a low for the year. The Comit index fell 4.6 to 566.95.

"No one wants to get involved just before the end of the account," one dealer said. Fiat remained under pressure after industry data earlier in the week showed that its share of the domestic car market was continuing to shrink. The stock fell L150 to L6,540. Generali, the insurer, fell L195 to L36,100, although dealers said its price had been sup-ported recently by short-cover-ing. The telecommunications

sector was also vulnerable, and Stet eased L64 to L1,890. ZURICH eased in limited volume on worries about the effect of the risins inflation, although the September inflation figure was in line with expectations. The Crédit Suisse index fell 2.0 to 502.6.

STOCKBOLM fell in reaction to declines on other markets, with the Affarsvärlden General index down 8.8 at 983.0. The bourse said that it had delisted shares in Nyckeln, one of the stocks suspended two weeks ago because of a liquidity cri-sis, but would allow unofficial trading. Its restricted B shares fell to SKr7 before recovering to SKr30, down SKr70.

SCA7 free Bs eased SKr1 to SKr3 after the forestry group reported a smaller-than-expec-ted decline in eight-month

OSLO hovered above its low for the year as fears of war in the Gulf resurfaced. The allshare index lost 7.57 to 529.67.
MADRID fell prey to profit-taking, with the general index losing 3.30, or most of Monday's rise, to 219.54.

101.50 111.52 142.62 155.93 100.65 110.60 96.86 106.43 186.53 204.96 78.20 65.93 100.25 110.15 82.83 97.39 114.95 126.31 64.93 77.39 82.76 101.92 141.74 155.74 367.55 403.87 99.19 107.89 42.68 46.91 182.10 200.10 114.69 126.03 116.30 125.68 104.07 114.95 68.30 75.05 126.16 198.68

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzle in conjunction with the institute of Actuaries and the Faculty of Actuaries

3 +2.6 4.32 134.58 3 +2.6 2.07 182.81 3 +2.6 1.23 121.91 3 +2.8 2.56 127.40 1 +0.8 3.88 125.54 4 +2.2 3.52 115.49 4 +1.2 6.28 121.67 4 +1.7 2.73 122.15 5 +1.9 3.03 125.68 7 +1.4 4.15 122.44

The World Index (2349)... 129.31 +2.6 97.12 106.80 103.17 113.67 +1.9 3.04 126.03 56.92 105.40 101.37 111.58 162.05 118.33 154.23

133.36 187.25 187.27 245.08 102.75 151.72 108.14 151.03 85.37 121.87 186.23 429.01 58.08 151.59 150.59 151.59 186.74 186.74 186.75 186.74 186.75 186.74 186.75 186.74 186.75 186.74

+1.1 +10.0 +

107.52 107.21 149.84 149.75 107.23 104.75 107.79 106.39 196.25 196.15 62.46 78.53 107.96 109.07 90.20 90.20 90.20 90.512 118.70 125.44 126.89 68.31 73.44 101.19 104.74 198.46 194.73 396.02 1578.64 106.79 105.84 129.14 129.14 198.96 121.36 129.02 137.29 111.22 101.87 73.41 73.24 138.23 190.14 100.76 126.30 111.27 138.23 190.14 100.76 126.30 111.27 138.23 190.14 100.76 126.30 111.27 138.23 190.14 100.76 126.30 111.27 138.34 130.14 100.76 126.30 111.27 138.34 130.14 100.76 126.30 111.27 138.34 130.34 111.27 108.28

115,13 111,22 108,23 153,95 148,72 146,13 104,58 101,00 105,03 109,14 105,43 107,13 104,31 100,77 125,00 98,15 94,81 95,24 101,83 98,36 105,29 109,43 105,71 107,80 103,28 99,75 111,84 106,65 103,02 113,50 108,93 105,24 118,47

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Constituent changes 9/10/90: Deletion: Center Parcs (Natherlands). Name change: Willis Faber to Willis Corroon (U.K)
Canadian market closed October & Austrian prices were unavailable October & Latest prices were unavailable for this edition.

Profit-taking starts as Nikkei nears 24,000

EQUITIES continued Monday's EQUITIES continued Monday's good rally in morning trade yesterday, but later fell from the day's highs on active profit-taking as the Nikkei average approached 24,000, writes Martina Gannon in Tokyo.

However, the leading index closed above the important

closed above the important 23,000 level at 23,495.11, down 134.89. Volume rose to 450m shares from 400m. The day's high of 23,971.44 came soon after the opening as stocks rose on the back of a strong yen and firm overseas markets. The low for the day, shortly before the close, was 28,261.70. Advances led falls by 583 to 381, with 130 issues unchanged. The Topix index of all first section stocks inched up 1.50 to 1,728.69, and the second section was also higher. In London, the ISE/Nikket 50 index receded

11.61 to 1,351.83. Large-capital issues, including steels, trading houses, electric powers and contractors, extended Monday's gains in morning trading. High-technology issues were dull.

Later, as the leading index neared 24,000, investors grew wary and began to take profits. The slowing of the yen's advance against the dollar, and

the consequent easing of bond prices, added to the market's caution. There was also some clearing of positions before today's national holiday.

Mr Hiroaki Ozaki of Kokusai Securities said: "Everybody expects the market to become mixed when the Nikkei reaches 24,000 as financial institutions, which renewed their funds on October 1, start to take profits." He added that it was a little risky to buy at this level, beyond which a market recovery was uncertain. High-technology shares fell

SOUTH AFRICA

106.08 158.31 148.78 285.53 103.72 160.02 163.61 195.42 778.70 158.29 107.08 168.85 155.99 147.49 121.85 198.57 73.55 109.26 101.92 197.26 163.88 278.79 121.35 209.24 136.41 251.39 100.54 182.25 148.89 71.66 109.77 126.16 178.18 178.18 125.52 148.95 148.89 71.66 109.77 126.16 178.18 125.52 148.95 148.89 148.8

107.26 150.92 106.37 102.35 197.14 182.84 105.93 86.97 121.47 68.68 98.08 148.76 98.08 148.76 103.76 45.11 192.44 121.20 121.85 72.19 193.96

90.33 104.96 100.96 125.32 148.95 102.41 112.53 108.23 105.44 157.85 139.13 182.88 147.03 143.90 223.29 92.79 101.96 96.06 102.32 192.75 96.96 106.54 102.46 104.37 174.18 95.55 105.00 100.99 124.28 148.43 67.90 96.60 92.91 93.15 145.62 92.60 101.77 97.87 104.01 146.72 97.30 106.92 102.83 105.14 173.77 92.97 102.16 96.25 109.96 182.00 95.80 105.28 101.25 111.41 181.84 98.51 108.28 104.12 116.78 151.59

SHARE PRICES closed little changed in Johannesburg in the run-up to today's holiday. Buying interest was restrained by a firm financial rand. The all-share index slipped 8 to 2,698, as gold shares failed to rise on higher bullion prices.

steels, chemicals and electric railways were among the winpace. Sony, unpopular as the yen strengthened because ners. Exporters, including pharmaceuticals and high-techabout 60 per cent of its sales are overseas, lost Y160 to Y6,770. Pioneer Electronic retreated Y130 to Y4,580. nology shares, lost ground. The Stocks popular with specula-

tors plunged. Honshu Paper, the day's second most active issue, dropped a further Y500 to Y3,200. Drug shares were also weak, with Datichi Phar-maceutical falling Y30 to Roundup Y2.360 and Yamanouchi Pharmaceutical Y70 to Y2,770. Financials were mixed. Bank of Tokyo shed Y15 to Y935, but Fuji Bank added Y10 at Y1,800.

allegations of illegal loan dealing by a former branch manager, was untraded. In Osaka, buying of domesti-cally oriented issues domi-nated trading. Constructions,

Sumitomo Bank, clouded by

needs to make," he says.

Among the effects of the

Guif crisis on the Philippines, Iraq's takeover of Kuwait has dislocated about 70,000 Filipino

OSE average finished at 26,994.78, up 378.24, advancing for the sixth consecutive secsion, and volume expanded to 31.6m shares from 23.9m.

WORRIES about events in the Middle Rast hung over Pacific Rim markets yesterday. Seoul was closed for a holiday.

TAIWAN ended sharply lower on concern that the clashes in Jerusalem overnight, which left at least 19 Palestinians dead, could lead to more tension in the Gulf. The

weighted index dropped 149.36, or 5.2 per cent, to 2,746.25. Vol-

ume improved to T\$25.39bn

SINGAPORE gave a dismal response to a share offer by Kay Hian James Capel, the brokerage concern, capping a string of progressively unsuc-cessful flotations. Kay Hian said less than 20 per cent of the 83m shares on offer had been bid for, leaving underwriters

with more than 80 per cent. The Straits Times Industrial index lost 4.73 to 1,105.30. Volume fell to \$\$36m from \$\$40m. KUALA LUMPUR was protected by an absence of selling persons the general elections. before the general elections on October 21. In comparison with Singapore issues, recent Malaysian offerings have been over-subscribed, although by smaller margins than in the past. The composite index edged up 0.60 to 474.46 on vol-ume of 20m shares, similar to

five-year lows, but there was little enthusiasm behind the gains. The Barclays index ralifed 12.88 to 1,455.78. Turnover rose to NZ\$10.9m (NZ\$9.1m).

AUSTRALIA came off the day's highs as Tokyo fell back. The All Ordinaries index closed 5.9 up at 1,375.4, after touching 1,385.7. Turnover rose to A\$146m from A\$129m. Adsteam fell 17 cents to A\$2.18 after the stock exchange said it was discussing reporting meth-

ods with the company.

HONG KONG ended softer
on profit-taking. The Hang
Seng index dipped 11.96 to
2,913.52 on turnover of
HK\$552m (HK\$575m). BOMBAY leapt after the stock exchange relaxed curts on forward trading to ease liquidity positions. The BSE index jumped 132.53 to 1,558.43.

This announcement appears as a matter of record only.

CIBA-GEIGY PLC

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